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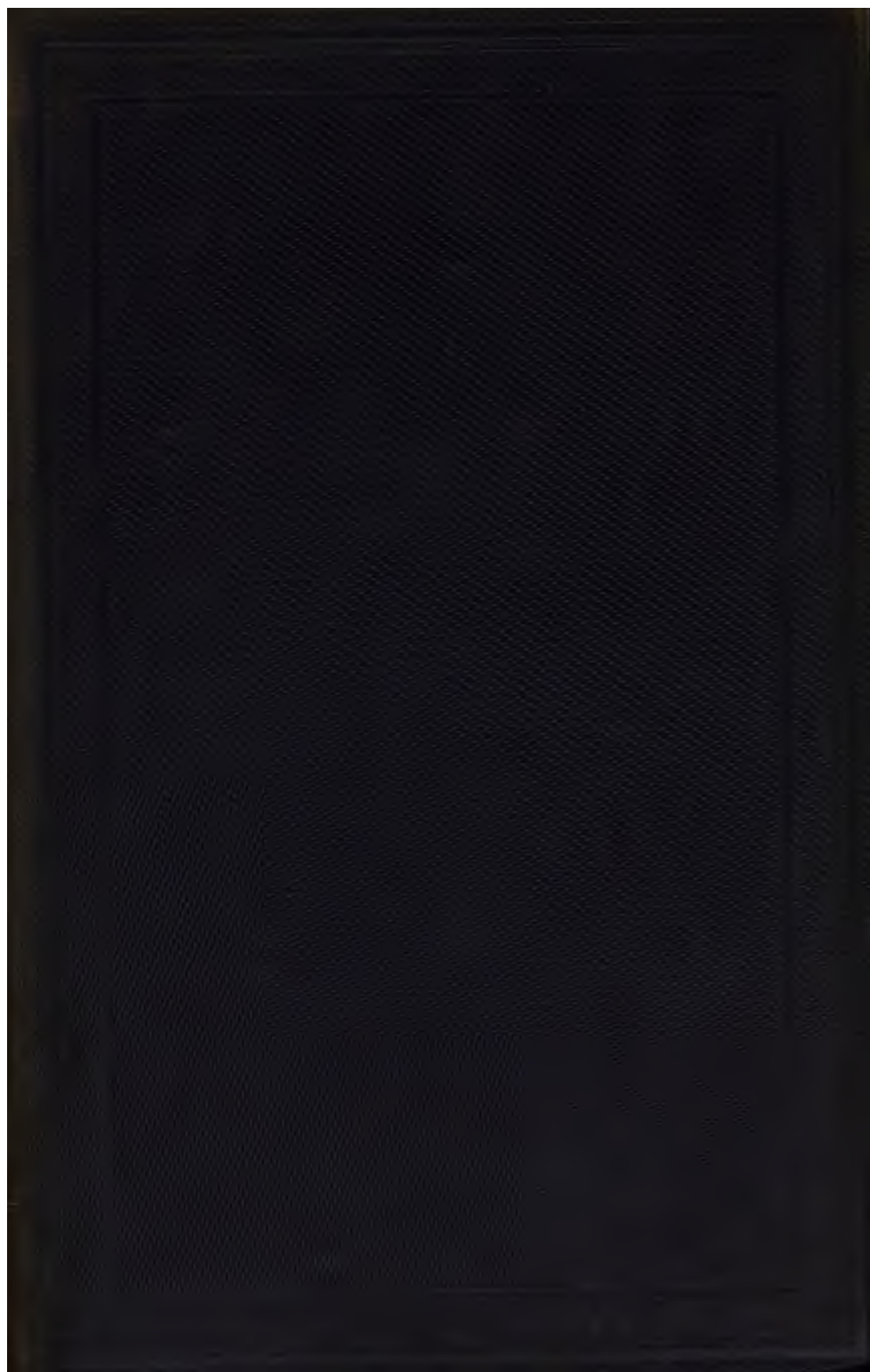
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THE CURRENCY

UNDER THE ACT OF 1844.

TOGETHER WITH

OBSERVATIONS ON JOINT-STOCK BANKS,

AND THE

CAUSES AND RESULTS OF

COMMERCIAL CONVULSIONS.

FROM THE CITY ARTICLES OF THE "TIMES."

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P R E F A C E.

THERE is nothing more easy than the Currency question. In a recent debate in Parliament, Mr. Gladstone declared that it has made more lunatics than love. As far, however, as the majority of the public are concerned, its perplexities are occasioned solely by distrust of their own plain sense. Instead of asking themselves what it is they consider to be Currency, and would take as such on all occasions, they consult a multitude of discordant writings; and because they find each more or less incomprehensible, and at variance with all the others, they fancy there must be something in the matter scarcely to be grasped by the highest exercise of reason. In this way they come to distrust such intuitive perceptions as would present themselves to any one to whom the subject might be broached for the first time, and are afraid to suggest the truth in its simplicity, lest they should find they have exhibited ignorance, and provoked the scorn of philosophers.

Those who hope to find any abstruse propositions in the following chapters will be disappointed. Their only object is to enforce the facts which have been known ever since the world began, that when men enter into mutual contracts, no means can ever be invented honestly to alter the nature of such contracts, at the pleasure of one party, and without the consent of the other; and that if a man parts with a commodity called wheat, coal, cotton, or anything else, for the commodity called money, he is entitled to have the agreement fulfilled in the precise terms in which it was made.

A nation can select any commodity it chooses to adopt as money or currency. Some have decided upon silver, and others upon less convenient materials. In our case it has been fixed, that when a person promises to pay a certain amount of money, he shall be held to have meant simply a definite weight of gold. If a man buys 3 bushels of wheat for a pound, to be paid two months hence, the contract might be simply put into these words :—"I take from you 3 bushels of wheat, and promise in sixty days to hand you 113 grains of fine gold." The principle is just the same as if he were to agree to deliver 10 yards of cloth in exchange for a watch. Each would be a case of barter, but all men find it more convenient to barter gold than anything else.

What would be thought, however, if any set of persons were to rise up in Parliament or elsewhere to proclaim the doctrine that an individual who had

entered into a legal contract to deliver 10 yards of cloth, in exchange for a watch, should be allowed, when the time for carrying out the contract came, to deliver something else that might be more easily procurable? That if cloth, for instance, had become scarce, and leather cheap, he might hand over a pair of boots; or that, if this seemed too outrageous, he might give his own promise, or the promise of some other parties to deliver the cloth at a future day? Would the proposition seem so difficult of comprehension that the whole Legislature would discuss it night after night, to determine if it were consistent with the principles of justice, and such as ought to be entertained? Would the public buy pamphlets on the question, and go mad in the hopeless endeavour to avoid its fascinations, or understand its real merits?

Yet this is the sole point involved in the great Currency controversy. Men who have engaged to deliver a certain number of pounds sterling,—that is to say, a certain number of grains or ounces of gold, and who have used and enjoyed the goods for which they have agreed to give this gold in barter, are always clamouring, when the hour arrives for the fulfilment of their part of the contract, that some method should be adopted by the Government either to increase the supply of gold, or to allow them to substitute for the promised amount a written note engaging to pay it at some future time. In great crises, the public are divided into two parties, that may be represented by the clothier and watchmaker just referred to. The

portion that stand in the place of the watchmaker say to the other portion, we have delivered to you one hundred watches, now hand to us one thousand yards of cloth. The indebted portion repel the demand, by the cry that they are under terrible pressure; that when they promised to deliver the cloth, it was cheap, and they thought the profit of the bargain was to be all on their side; that there has since been a sudden rise in its value; that those who, under such circumstances, would require them to meet their obligations, must be cold-blooded extortioners; that although they could get the cloth well enough in the open market, by consenting to some sacrifices, or by the exercise of their credit, if they had any, they will neither make sacrifices, nor employ their credit, nor honestly admit that, being without sufficient property or credit, they have made engagements which they had no certainty of being able to fulfil, and must submit to the usual course provided for such cases. They insist that Government should come to their aid;—that is to say, that the body constituted for the sole purpose of maintaining equal justice between the two parties, should step in to the rescue of one against the other. The Minister consents, and declares that he will allow notes to be issued in the name of the Government, promising to deliver the cloth upon application, while he knows he has no means of doing so, except by taking it from a store set apart for another body of persons who also hold similar notes, and that if by chance they were to come upon him at the same time,

he would be obliged to avow that their cloth had been made away with—and this for the sake of cheapening the market, for the “relief” of those who had to deliver cloth, and the loss of those who were to receive it.

To expose the character of such movements, to defend the rigid enforcement of contracts, and to point out the demoralizing effect of the doctrine, that the State may sometimes with advantage sanction the violation not only of the statute law, but also of the natural law that regulates the general course of trade, is the sole purport of such of the following Chapters as relate to the question of Money. Among the other Chapters, observations will be found on the laws which regulate the formation of Joint-Stock Banks ; and here again the point contended for is simply the old one, of the right of all men to make such contracts as may seem proper in their own judgment, always provided that such contracts involve no violation of the rights of others. Both on this and the Currency question, the grand dogma involved is the propriety of an adherence to principles or fundamental truths at all costs ; and although in the debate on the introduction of the Bank Indemnity Bill, it was remarked by one member, that he hoped the Government of the country would never fall into the hands of any individual hardy enough, in the latter case, to carry them out ; and by another, that no minister should be “so infatuated in favour of an abstract principle, *sound enough in itself*, as to refuse to incur the responsibility of relaxing it,” the belief may still be entertained that

in this, as in every other case in which a similar battle has been fought, consistency against expediency will ultimately prevail.

The remaining topics touched upon are, the condition of commercial morality in London and elsewhere, and the effects to be produced by the Californian and Australian gold discoveries. The chief article on the latter subject was written more than five years ago, but subsequent events have not seemed to necessitate that it should undergo any modification.

In the Appendix will be found the speech of the Chancellor of the Exchequer (Sir G. C. Lewis) on introducing the Indemnity Bill, which furnishes a most lucid narrative of the series of events which terminated in the transmission of the Government letter to the Bank; the speech delivered by Lord Overstone in the House of Lords on the preceding evening; and one delivered by Earl Grey on the final passing of the Indemnity Bill. An extract is also given of the City article which appeared in *The Times* ten years back, on the day preceding the first suspension of the Bank Charter Act in 1847.

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THE CURRENCY.

I.

AN outcry against the Bank Charter Act is an inevitable accompaniment of financial pressure. In quiet times, suitable for the discussion of such a question, its opponents are unable to get a hearing. When everybody is inconvenienced, and it is agreeable for the public to find something upon which to vent their dissatisfaction, the Birmingham Chamber of Commerce and its imitators lift their heads, and multitudes are ready to be persuaded that the measure of Sir Robert Peel is the cause of all their suffering.

Happily the whole matter can be put into short compass. What is the groundwork of the Act, and what is the system recommended in its place? The doctrine of Sir Robert Peel simply was, that no currency could be considered perfect which would not, at all times and under all circumstances, maintain the same intrinsic value, and it has never yet been shown how this is to be accomplished on any other principle than that which he established in 1844. At that period the paper circulation of the country was nearly the same as at

present, and consisted partly in notes of the Bank of England, and partly in those of joint-stock and private banks. Supposing this circulation to be required solely for internal commerce, no necessity could exist for gold being held against any portion of it. A deposit of Government stock, or the fact of its being receivable for duties, would at all times keep it from fluctuation in value. But as we require gold to meet balances of debt to foreign nations at periods when our exports have not been fully sufficient to pay for our imports, we must have some means of converting our circulation into this material. The bank-note professes to be good for a certain weight of gold. It is on the payment of a certain weight of gold that every contract throughout the kingdom is made contingent. If, when the merchant wants this gold to send to his foreign correspondent, he finds he cannot change the notes in his possession for the full amount they purport to represent, he is a loser precisely to the extent of their deficiency. Absolute and immediate convertibility is therefore a necessity admitted by all except the few dreamers who find voice at moments like the present.

But it will be said, "If that is the case, the Bank should hold gold against every note in circulation, and as the paper now afloat in the country is £33,000,000, while the gold at the Bank is only £11,750,000, it is evident that even under our existing system the idea of perfect convertibility is but a fiction." Practically, however, there is no fiction in the case, and it is capable of demonstration that, under no conceivable circumstances, so long as the Act of 1844 is in operation, could the supply of gold at the Bank fall short of the demand. To carry on the internal trade of the country a certain amount of currency is essential. In proportion as the currency becomes contracted by the conversion of bank-notes into specie and the transmission of that specie to foreign countries, the value of what is left steadily increases. The rise in the rate of discount thus occasioned causes universal economy to be practised: imports are counter-

manded, exports are stimulated, foreign balances are called in, and in a short time the exchanges turn in our favour, and gold flows back upon us. It is evident, therefore, that the amount of the currency could never be reduced below a certain point without producing a pressure for money which would not only infallibly check the demand for gold for exportation, but would turn the tide, and cause it to be sent to us. The question arises, What is that *minimum* point? since, if we can ascertain it, we then get the limit to which we may safely issue notes without the necessity of keeping gold against them. Experience seemed to show that £22,000,000 might be taken as the total, and this was adopted by Sir Robert Peel. The Bank of England were consequently allowed to circulate £14,000,000 based on Government security, and the provincial banks £8,000,000 on their own responsibility, subject to the condition, that in case of failure the privilege of issue should be withdrawn from them. This £22,000,000 may therefore be regarded as the fixed internal note circulation of the country, while all beyond that must be represented by gold, and, consequently, be liable to fluctuations in amount just as the course of trade may bring specie to us or take it away—these fluctuations being precisely the same as would occur if our entire circulation were metallic.

A more simple system or a clearer principle cannot be conceived. The next inquiry is, What is proposed to be substituted by those who would sweep it away? On this no half-dozen persons have ever been found to agree. It is exactly like the case of a continental revolution, where there is extraordinary unanimity when the existing ruler is to be overthrown, and nothing but anarchy when the new one is to be thought of. There appears a great amount of opposition to the Act, but probably each among the thousands who denounce it would turn in its favour, if he were told it was to be done away with without his own peculiar crotchet being adopted in its place.

There is therefore no opposition whatever that its supporters

are called upon to meet, unless they can be expected to deal with each of these theorists in turn, instead of leaving them to contradict each other. Nevertheless, the mischief of the constant outcry is such that a re-discussion of the whole question in Parliament cannot be arranged too soon. We shall then once more get upon record the reasons to be given for the various suggestions which, in the absence of examination, are idly accepted as embodying everything that is essential to prevent "enterprise" from being checked, or unlimited expenditure from being followed by pecuniary derangement. We shall learn the motives which should prompt us, when gold is leaving our shores on account of the rate for money being lower here than elsewhere, to resort to an additional issue, and thus increase the evil. The question, "Why should there not be free trade in money as in everything else?" will also receive its solution as well as that concerning the nature of the peculiar call to suspend specie payments during war, while, at the same time, the axiom put forth by the Birmingham Chamber of Commerce, that but for the Australian discoveries the bill of Sir Robert Peel could never have worked, will be fully brought up for illustration.

It will then appear, perhaps, that the supporters of that bill have not necessarily any objection to free trade in money; that they see no reason why the Legislature should interfere to prevent individuals or companies from issuing their promises to pay in any form or to any extent to which the public may be willing to receive them; and that all that is absolutely contended for is that these notes should not be made a legal tender, and that if the Government compel people to accept any set of notes as equivalent to gold, the convertibility of those notes at least shall be protected by an unswerving law. In relation to the war, it will be told why we should give the signal for a universal hoarding by decreeing a suspension of specie payments when the foreign imports, which alone derange the balance of our revenue and expenditure, must be still paid for in gold, no matter to what

contrivances we may resort, and why, if the use of the national credit be necessary, it should not be adopted in the legitimate form of post-notes, bearing interest, instead of by compelling creditors to receive their claims in paper at a discount. With regard to the effect of the Australian discoveries, it will be for the ingenuity of the Birmingham Chamber to explain how the working of a law, the principle of which is merely to regulate the relative distribution of gold between this and other countries, could have been in any way influenced by the quantity of that gold that might from time to time be in existence. Inasmuch as the fitness of gold for its functions depends upon its relative scarcity, and if one half of the quantity existing in the world were swept away tomorrow, the remaining half would then be equal in value to the whole, it will likewise be requisite for them, if they intend to intimate that our circulation has received any intrinsically valuable addition from these discoveries, to show the manner in which it has been brought about.

That some modifications of the measure, which in no way affect its principle, are open to debate, is admitted. It has been questioned, for instance, whether, in fixing the amount to be issued by the Bank on securities, the limit of £14,000,000 was not unnecessarily low, although, supposing such to be the case, it is an error on the side of safety, and the fact must be borne in mind that if it were raised to £16,000,000, or any other point considered within the verge of prudence, that verge once attained, the operation could never be repeated. Some defects have reasonably been complained of with regard to the periods within which the country bankers are compelled to keep the average of their issues; and, lastly, the Government are open to serious reproach for not having filled up the deficiencies in the country circulation which have occurred since 1844 through the failure or retirement of individual banks. This, however, is a fault, not of the act, but of the several Chancellors of the Exchequer

who have neglected the special provision it contains for the purpose*.

The circumstance of the Act having been suspended in 1847, is an argument used by those who are unable to show that it has any inherent defects. But its operation never was suspended. At the very moment when it had accomplished all that had been anticipated, and when a reaction had palpably commenced, the public were promised that, in case of need, it should be set aside; but this was simply to allay a panic, in which the loss of self-possession was such as had never before been witnessed in a rational community. Sir Robert Peel could foresee the natural operation of the Act, but he could not foresee the insane terror which the misapprehension of its possible consequences would occasion. That it was the terror of the Act, and not its operation, that required to be palliated, was shown by the fact that the moment this terror was removed every man found himself at ease. To deal with the public according to their irrationality it was necessary to suspend a rational law, and the penalty has been, as was predicted, the growth of a belief that, by getting up a panic at any time, the Government may be forced into a similar concession. Under such circumstances it has been naturally asked, whether it would not be better to abrogate the law altogether, and to indulge the public with experiments until they shall have satisfied themselves as to what they will be prepared to maintain? General uncertainty is more fair for all parties than fixed laws, which are only fixed as long as there is no agitation to undo them.

Let the Act be set aside and one thing is inevitable, namely, that the amount of the circulation must thenceforth be left to the wisdom of the Government or some other individual body. In fact the conferring a discretionary power is what is clamoured for, although it was the necessity for the abolition of this dis-

* Since this was written the deficiency has been filled up by an extra issue of £475,000 authorized by the Government.

cretionary power that compelled Sir Robert Peel to legislate. Instead of leaving the fortunes of the community to be liable to peril from the caprices of individual judgment, he placed the currency upon a footing to be subjected to no influences but the natural ones of supply and demand, so as to enable every trader who would take the trouble to observe the course of the exchanges to exercise a discretionary power for himself, and not to look for it helplessly in official quarters. It will be for the people, through their representatives in the next session of Parliament, to decide whether the responsibility thrown upon them from this condition of freedom is more than they can bear, and if they should answer in the affirmative, to select the functionaries, either at Downing-street, or at the Bank, that shall for the future have the control of their fortunes and be responsible for the prevention or mitigation of all financial troubles.

II.

Some of the opponents of the Bank Charter Act have prepared for the non-adoption of their views by alleging that the labours of the Parliamentary Committee will be neutralized by the Government having arrived at a foregone conclusion. It is essential that this impression should at once be checked. The committee will afford means for every doctrine in connexion with the subject to be clearly put forth, and, if those who demand a change of system fail now to establish their propositions, they must be prepared for the future to acquiesce in the settlement that may be arrived at. The Government, in granting a committee, while they were satisfied that no material change is required, could have had no other motive than that of giving to

all the theorists who have appealed to the public during the past ten years a full opportunity of explaining themselves, and of thus placing upon indelible record the substantiation or failure of their respective creeds. If any of the witnesses make out a clear case against the Act, they may rely that neither the prejudices of the Government, nor the efforts of a committee, however it may be constituted, can prevent the triumph of their doctrine. The question is one above all others capable of exact demonstration. Imagination can exercise no influence upon it, and it is also wholly independent of the bias of parties or the selfishness of established interests. If any one can prove to the country that there is a method of permanently placing a greater amount of money at its command than it has ever before enjoyed or hoped for, or that commercial vicissitudes may be prevented, or that over-speculation, and the disasters that have hitherto attended it, may be rendered impossible, he will confer a benefit on all alike, and his discovery will be universally welcomed. He may be sure, likewise, that it will spread over the world and be eagerly seized by every civilized nation that has ever found itself in want of means. With this encouragement there will be no excuse for any one to hold back on the plea that it is useless to contend against official pre-arrangements. Let it be understood, therefore, that now is the time to speak, and that this opportunity is final. It would be intolerable, after a Parliamentary settlement shall have again been effected for ten years, for the public to be deluged at every crisis that may happen during that interval with fresh letters, pamphlets, and speeches, to show that instead of being consequent upon their own want of prudence, all these events are to be attributed to the neglect of some principle that might easily have been introduced for insuring at all times a never-ending supply of the circulating medium.

III.

The Bank Charter Committee of last Session encountered heavy labours which are now about to be continued through the Session of 1858, but no revelations have thus far been attained to encourage the delusion that the means of establishing a "sufficient currency," such as shall keep the supply and demand for money always independent of any disturbance from the foreign exchanges, are destined to be arrived at. The evidence taken thus far has proved voluminous; but however wearying may be their task, it is to be hoped the committee will not break up until they have given ample latitude to every gentleman anxious to unfold any idea on the subject. With the whole arguments of the various schools comprised in one book, it will be in the power of any person, even if the committee should abstain from reporting their own conclusions, to form a clear judgement, and the public will be relieved from a continuance of that issue of pamphlets—each propounding some obvious and infallible system, wholly overlooked by every previous inquirer—which has been kept up in an uninterrupted stream for the past twelve years. It will create surprise should it be found that the examinations have brought out a single opinion or statement which had not years previously been answered over and over again, but an available record of them will be invaluable towards stopping similar repetitions for the future.

There is one suggestion, however, which, although more specious than most others that are put forward, has been less discussed than any, to which the committee will perhaps give particular attention. It is founded on the cry of free trade, which, according to many recent signs, seems as liable to perversion in the commercial as that of liberty in the political world. The question is, Why should there be a monopoly of the power of issuing notes? "Let us," it is said, "have free trade in money as in everything else." The days of restriction and prohibition are

passed, and if a private individual, or a body of individuals constituting themselves a company, choose to issue their promises to pay, and the public choose to receive them, why should the law interpose a bar and declare that such a privilege shall not be allowed to any establishment other than the Bank of England? Even if it be found impossible all at once so far to discard old prejudices as to refrain altogether from the paternal system of State interference in such matters, surely, it is said, it would be enough to stipulate for a deposit of certain recognized securities, such as Government stock, real estate, &c., with an ample margin. Against such arguments can anything be urged? To the astonishment, perhaps, of those by whom they are brought forward, the answer even in *The Times* must be that they are indisputable. There ought to be no legal restrictions whatever on the issue of notes. If this is what is meant by free trade in "money," the wishes of the advocates of that principle might at once be granted. In strict consistency every man should be at liberty to make what promises he pleases, leaving the public also at liberty to place faith in them or otherwise at their own discretion. But is it certain that this is all that the agitators of the question demand? Of course such notes must not be a legal tender. If the Government force the community to receive notes as a legal tender, they are bound to take upon themselves the responsibility of insuring that they shall, under all conceivable circumstances, be found convertible into the gold they purport to represent. That precaution is taken with regard to the notes of the Bank of England, and it is capable of demonstration that under no imaginable contingencies can the exchangeable value of the issues of that establishment be for one moment jeopardized. But £14,000,000 or thereabout, which is the issue allowed to the Bank, has been clearly ascertained to be the limit to which a currency based merely on securities can be carried with the certainty that its par value in the money-market will be maintained. Hence, as the Government cannot

guarantee any further issue that may be made except against a deposit of gold of equal amount, they must of course refrain from assuming any liability with regard to it. To prevent misconception, it must therefore be provided that all notes except those of the Bank of England should be stamped with the words "not a legal tender," or if this should be deemed an unjustifiable compulsion by the extreme sticklers for license, the difficulty might be equally well met by the words "a legal tender" being prominently affixed on all Bank of England notes, leaving the public to discriminate the probable value of the paper on which this inscription is wanting. Such a provision, in connexion with the existing powers of the criminal law, would undoubtedly supply all the protection the community are entitled to insist upon. In case of attempts to pass other notes than those of the Bank of England as "money," the Courts of Justice could at once meet the evil. If any person asks Mr. A for his note, there can be nothing wrong in the transaction, but if Mr. A gives his promise to pay on demand to a customer across his counter, who through being a foreigner or an ignorant person is led to assume that he has received a legal disbursement, then of course, Mr. A must hold himself liable to sustain the penalties which, as the law already stands, apply to all analogous proceedings. A strict enforcement of the penal clauses of the Bankruptcy Act against all who should be found to have issued notes payable on demand under circumstances of actual or approaching insolvency would likewise assist to keep everything straight.

That the first introduction of this kind of freedom would be followed by many abuses and much mischief cannot be doubted; and to most persons it must be a question whether, until the general population become better informed on financial matters than at present, these results would be compensated by the fanciful advantages of rounding off a theory. For the moment the point to be understood is simply that the cry against the

- supporters of the Bank Charter Act, that they are opposed to the principles of commercial freedom whenever those principles clash with their views, is altogether a mistake. Perfect free trade in money exists already. The profits of the £14,000,000 issue which, apart from gold and silver, is all that can ever be really regarded as money, are divided among the public, since heavy deductions on account of it are made by the Government from the Bank. With respect to money beyond that total, every man is at liberty to make as much as he pleases—or, in other words, to take gold and silver to the Mint whenever he can get it, where it will be made into money for him at the public expense. With the golden promises of A, B, or C, issued on their own credit or on the security of stocks, shares, houses, colonial produce, &c., the term “money” has nothing to do. If, however, there is a class of persons who would place them in that category, and who would desire to have opportunities of being furnished with an unlimited supply, it must undoubtedly, as far as our ideas of freedom are concerned, be regarded as a pity that there should be any legal barrier to their being gratified.

IV.

There are some fallacies heard in each discussion on the currency that have been exposed so often, and yet are so tenaciously repeated, as to discourage all hope of the public ever being brought to comprehend even its plainest principles. The necessity for “an expansion of the circulation to meet the growing demands of an extended commerce,” the claims of the commercial public for “support from the Bank of England in times of pressure,” with the consequent necessity for an enlargement of its capital, and the duty of the Government to avert the ruin

and "loss" resulting from periods of convulsion, are the three principal points painfully reiterated wherever half-a-dozen men are assembled to resolve or petition about the crisis, and which will without doubt be droned over evening after evening and taken for granted as living truths in all the approaching Parliamentary debates. Let us look at them distinctly. What is meant by "expanding the currency in proportion to the demands of commerce?" The currency consists of gold, and how can the supply of this be increased or diminished except by the ordinary operations of commerce? Again, if it were increased, how would the alteration have any effect in assisting an expansion of trade? The value of gold depends solely on its scarcity, and hence just in proportion as the quantity is increased there is a depreciation in the value of that which previously existed. If the total of gold in the world were doubled tomorrow, the wealth of the world would not be augmented a single pound. The goods which could be purchased with one sovereign today would then be procurable only at a cost of two sovereigns. Every existing contract would be influenced to the benefit of the debtor and the loss of the creditor; but all future transactions would be calculated on the new scale, and the business of commerce would henceforth go on as if nothing whatever had happened. There would be no increased "facilities" to assist its expansion, because, although the quantity of currency would be doubled, a double quantity would be required in every operation. In like manner, if half the gold now in our possession were swept away, the nation, as a nation, would not be poorer, because then every half-sovereign would do duty for a sovereign. If this rule holds good with regard to gold, of course it is equally applicable to paper purporting to represent gold. When, therefore, people talk of an expansion of the currency being requisite to promote an increased interchange of goods, it is a simple gabble of fine-sounding words which have not a particle of meaning, the absurdity being enhanced by the fact that they

have recently had the experience of the Californian and Australian discoveries before their eyes—discoveries which have benefited the indebted classes who are now clamorous for more at the expense of all the other classes in the country, but which have not influenced to a hair's breadth the permanent laws which determine the relative position of the various money-markets of the world.

With regard to the next cry—that of the necessity of the Bank of England “supporting public credit” in times of pressure, it is equally groundless. The relations of the Bank of England to the public are precisely the same as those of any other bank. Their duty is simply to take care of themselves, to make as much profit as they honestly can, and nothing more. When a London discount-house, during the height of the recent panic, made a sudden application to the Bank for £900,000 to carry them through the day, they had no more right to expect it to be granted than if they had made it to Messrs. Glyn, or Robarts, or the London and Westminster Bank, or any other city establishment. The Bank of England, as a bank, has no privileges whatever; it has nothing to do with the note circulation, and all that can be demanded of it is, that it should take care to provide for its own liabilities, and leave other people to provide for theirs. It is true that it has the advantage of the Government deposits, but these are subject to the same rules as all other deposits, and when they accumulate largely towards the end of each quarter, the Bank proportionably increases the facilities for letting them out again. It is plain, therefore, that whenever people mix up the Bank of England in their discussions, as if it were an institution connected in some occult way with the existing system, they introduce an element of confusion which will render any clear conclusions impossible.

The next and, perhaps, the worst fallacy of all is that of treating the internal results of a panic as something involving unqualified evil to the community, and therefore such as to demand the

intervention of the Government in the name of the people at large to avert ruin and loss. But an internal panic is simply a violent convulsion, in which one party make tremendous losses and another party enormous gains. It is very undesirable that such events should happen, but the way to cure them is not by interfering to shift the consequences from the right to the wrong shoulders. The way of prevention would be to let the lesson work its natural result. For years past the public and all persons with fixed incomes have been paying 10 or 20 per cent. extra for the various necessities of life on account of an inordinate speculation, which has driven up prices in all foreign markets, to the great advantage of the foreign producer, at the cost of the English consumer. A crash has come at last, in which these things would have tumbled to a point ruinous to the speculative importer, but highly beneficial to the purchaser, and especially so to the small and prudent capitalist, who, driven out of trade by the previous dishonest competition, might now come in and make some excellent investments that would go far to compensate him for the past. The Government, however, at the cry of "national ruin" raised by the speculators, hasten to disturb this process. The public have been paying heavily all along, and when the tables are at last turned, they are told that for the good of the nation prices must not be allowed to fall. It is doubtless very painful to see a universal panic in which houses apparently of real solidity are broken down indiscriminately with the unworthy; but there is no effect without a cause, and if these houses had not in some way allowed themselves to approach the whirlpool they would have been safe. Moreover, the consequences of a temporary stoppage owing to a dead lock are far less important to thoroughly solvent firms than is generally supposed. A panic never lasts beyond a few days, and it is surprising how people find their way out of such things when they are left to their own wits, and are not taught to rely upon the superior mercantile talents of Cabinet Ministers. Under

any circumstances, whether the earthquake without Government intervention would or would not be as frightful as the alarmists pretend, there is no escaping the conclusion, that in proportion to the sacrifices forced upon the incautious would be the gains of the prudent, who would come in to take advantage of them, and that the plea of relief being required for the benefit of the people, and not for that of one class against another, is a sophistry as transparent as it is dangerous.

V.

In the thick of its evils there will be little profit in moralizing on the American panic. One piece of instruction, however, should be noticed while it is fresh. Apart from the incurables of the Birmingham school, there has long been a set of currency theorists who, while recognizing the doctrine of convertibility, have opposed the Bank Charter Act on the ground that where this doctrine is enforced, no restrictions are necessary to guard against redundant issues. According to their view, the idea of providing by law for a contraction of the note circulation in proportion as bullion is withdrawn from the country is simply absurd, since the public, who are the best judges of their own wants, will perform that operation for themselves. They will take, it is argued, as much bullion as they need, and this can be procured only by sending in notes for payment. The fact, that it is possible for the banks to delay making provision for these demands until the exigency is such as to cause a panic and a consequent rush for the purposes of hoarding—in the face of which no bank can sustain itself—is always lost sight of. But we have now, in the case of the Philadelphia and Baltimore banks, and even in that of the New York and Boston establish-

ments, although the latter have thus far escaped from final disaster, a perfect illustration of the insufficiency of the mere theory of convertibility to secure the advantages claimed for it. The note circulation of all these banks was payable on demand to bearer. A foreign drain had been going on for some time, and its rapid increase was imminent. But while their notes were being sent in for gold they perseveringly re-issued them in the shape of discounts or advances on bonds and stock. Of course, the dogma that with a convertible currency it is impossible to maintain an over-issue proved true, but the demonstration was not attained until too late. In proportion as they persisted in abstaining from a contraction of their circulation, thus preventing a fall in prices that would have checked the importations of foreign goods, that circulation came back upon them with increased rapidity, and it was not until they found their stock of specie becoming exhausted that they resorted to measures of self-preservation. The work of contraction then fell upon the public with a sudden shock. Alarm became universal. Houses that in the absence of warning of any approaching restriction of accommodation had relied upon obtaining the usual advances went down one after another, heavily in debt to the banks that had misled them; the general credit of the banks was thus assailed, note-holders rushed for specie, not because they wanted it, but from fear that in another hour they might not get it, and forthwith came an announcement of suspension.

The lesson is conclusive, and can hardly fail to convert that section of the opponents of our currency laws who profess to be guided by any tangible principle. Upon the class who fancy it is in the power of Governments or banks to enable people to pay debts by simply promising to pay them, it is needless to seek to operate. Although England at the present moment presents in the midst of the Indian mutiny and her American losses an example of financial steadiness to the whole world, there is probably not one of these persons but would be prepared

with the monotonous pertinacity peculiar to their state to prove, in any number of letters, pamphlets, or Parliamentary examinations, that the charge now exacted by the Bank of England for money is simply the penalty of a perverse neglect of some infallible and self-evident nostrum that would enable us to secure at any moment a "sufficient" and never-failing supply at the agreeable rate of 3 per cent.

VI.

It is stated that a deputation of Glasgow merchants and mill-owners is about to proceed to London to ask the Government for measures of financial relief. If they are able to define what they wish to be adopted, and it should appear consistent with any principles of public honesty, there can be no doubt it will receive full attention. The difficulty is to conjecture the probable nature of the demand. It cannot be for a reduction in the rate of discount, since while the rate is 9 or $9\frac{1}{2}$ per cent. in Hamburg, 12 per cent. in Vienna, and 36 per cent. in New York, no one would suggest that the Bank of England should lend at a lower rate than 9, unless they wished to see every ounce of gold drained from the country, and a national bankruptcy as the consequence. Neither can they contemplate requesting that the Bank should discount more liberally. Not a single sound bill has yet been rejected by the Bank, nor is there any probability that such will be the case. Such an application would therefore simply be a request in another form that they should be compelled to discount unsound bills. Neither can it be for any enlargement of the circulation by means of an issue of one-pound notes, or any similar device, on the plea that the existing amount is not sufficient for the commercial wants of the

country. Trade has undergone contraction in all directions, and there has been an enormous fall in prices, yet the aggregate of notes shown by the *Gazette* return of this evening to be in the hands of the public is nearly a million in excess of the total in use in June, 1856, when the rate of discount was only $4\frac{1}{2}$, and the increasing magnitude of our transactions was a daily subject of surprise. None of these grounds being available, it is to be presumed the deputation will simply solicit the Government to promise that the Bank shall not be allowed on any sudden occasion to destroy the commercial community by refusing accommodation at any price. If this should be the case, as there is not and never has been the remotest danger of such an event, the Chancellor of the Exchequer can have no difficulty in giving the required assurance.

Whatever may be the views of the deputation, it is above all things essential that they should be prepared to state them specifically. This is a duty they owe to their fellow-traders. The present is not a time for any body of men inconsiderately to create alarm by a vague clamour for impossible aid, and thus by complicating the existing distress, to paralyze those who can be saved only by the exercise of mutual confidence and self-possession. We have been exposed to difficulties more sudden and extensive than any nation was ever before called upon to sustain, and the way in which they have been met must be a marvel to the whole world. There must have been a cause for this result, and it will be found in our currency system. It therefore behoves all to beware how, by endeavouring to weaken the public faith in the working of that system, they may change our calm and dignified course into one of imbecile confusion.

VII.

The Bank of England have to-day (the 9th of November) raised their charge for discount from 9 per cent., which was adopted on the 4th inst., to 10 per cent.

This movement was considered certain, and regret may be felt that the last change was limited to a lower point. Whether it will prove sufficient to check the determination of each discounteer to provide himself with two or three times as much as he wants is doubtful. While a cry is attempted to be raised that the rate now reached is such as to create intolerable inconvenience, the demand at the Bank shows each day that, so far from creating inconvenience to the trader in providing for his ordinary requirements, it does not even produce sufficient effect to prevent him grasping at an unnecessary amount. The fact is, no one with sufficient credit to obtain discount at all, cares in the least about an additional 5 per cent. for a month or two. For two months the difference is 16s. 8d., and every one feels that before the lapse of that time the worst of the trial may possibly be over. In rigid justice, so long as any number of the mercantile body are found to play into the hands of the panic-makers, it would be satisfactory to see the rate carried to 20 or 25 per cent., or any point that would at last be regarded as an outlay not safely to be incurred in unreasoning selfishness.

Thus far let it be recorded that the working of our currency system has been perfect, and has upheld us in a position to command the admiration of the world. Under no circumstances could any currency system be open to any other than two objections—first, that it has led to a rate of interest which no ordinary merchant could even temporarily bear; and, secondly, that it not only has led to a crushing rate of interest, but that it has caused the necessary accommodation to be refused even at that rate. Will any one venture to say that 10 per cent. is a

ruinous rate? In common times in the United States this is about the average charge, and it now ranges there between 24 and 60 per cent. Our own idea of a full rate is 5 per cent.; but surely the lowest profits of our business must be 5 per cent., and hence a temporary sacrifice of profits must be the worst that can occur from the payment of 10 per cent. The efforts, therefore, to create fright by pointing to this charge would be ridiculous if they were not dangerous; but a single lunatic in a crowd of 10,000 sane people may throw everything into confusion. With regard to the second point,—the refusal of accommodation at any terms,—is any one prepared with this complaint? So far from accommodation having been refused, it has been extended. The discounts of the Bank during the past three weeks have been far beyond their usual limits, and the notes in the hands of the public consequently exceed by a million or two the total in use a year back, when prices of produce were about 30 per cent. higher, and our transactions were being enlarged in all directions. The only two charges, therefore, that could ever be available against any possible currency system are not to be heard, and the whole that the clamourers against the Bank Charter Act can allege is, that at a time when all the civilized nations of the earth are frantically struggling for bullion, it has enabled the British public, instead of suffering from a contraction, to enjoy the use of more than a million in excess of the highest amount they ever really want, even when trade, instead of undergoing, as at this moment, a rapid contraction, is steadily expanding. If the Bank Charter Act—which every man with a sense of national pride should strenuously uphold—is to be threatened, let it be clearly explained in what point it has failed. Every one knows that it may fail to keep off panic when in the midst of a storm there is a determination on the part of a multitude of theorists, disappointed by the recent exposure in Parliament of their silly crudities, to produce it.

The circumstance of an advance in the rate of discount to

meet a temporary evil like that of the recent American crisis, in which all other nations participate, should inspire no dread on the part of any solvent houses. The difference between 5 and 10 per cent. even for two months, as above stated would amount only to an extra 16s. 8d. per cent. on all the accommodation they might require, and if their capital and current profits are inadequate for such a contingency, they can scarcely be considered fit to be in business at all on their own account. Of course there are cases where, owing to heavy contracts having been entered into, or other similar causes, the effect may be peculiarly severe, but these are altogether exceptional; as a general rule there ought, among a sound mercantile community, to be no terror in 10 per cent. or any other rate of discount, supposing it not to have been occasioned by a reckless course of national extravagance.

VIII.

According to the trade advices from Manchester the invitation addressed to that city to join in the Glasgow demonstration against the Bank Charter Act has been declined. At the same time the *Leeds Mercury* intimates that the Liverpool financiers have either drawn back or for the sake of expediency been excluded, and the entire movement may therefore be considered a failure. The Glasgow deputation was to consist of well-wishers of the Western Bank of Scotland, and an attack upon our currency system from the advocates of a concern which, with eight millions of British capital intrusted to its care, has brought itself to bankruptcy by fostering a set of fraudulent traders to the damage of all legitimate merchants, is scarcely an event to injure that system in the eyes of the public.

It is from sources such as these that the organized attempts

to disturb the healthful working of the Act have always proceeded, and in proportion as their pestilent influence is cleared away the country will find that the existing law renders the pursuits of commerce safe to all who will seek to understand and watch its operations. The animosity with which it is denounced by that class who fattened on such institutions as the Liverpool Borough Bank and the Western of Scotland is an indication of its value. The conflict is one of life or death. The speculator in produce, without capital or talent, assuming to be a millionaire, certain of a large fortune if the market advances, and trusting to the fears of his banking accomplices to uphold him if his game goes wrong—the bank with its “wealthy proprietary” (irrespective of a score or two of widows and orphans) gambling by means of re-discounts to ten times the extent of its available resources, so as to make large dividends and surplus profits to cover the most disgraceful losses—the popular manager, to whom everything is intrusted, usually an upstart, proud of his power to crush the business of any respectable house by backing up with unlimited loans a set of penniless *protégés* to counteract its operations—and the money firms who assist the process only so long as it is thoroughly safe; all alike are conscious that between them and the Bank Charter Act there can be no quarter. If when gold is wanted to pay our foreign creditors or to meet a sudden emergency, like the Indian Mutiny or the American crisis, the great shipper of goods and produce who a year previously was, perhaps, junior clerk in a third-rate counting-house, is to be driven to sell at any price, because he has not a farthing of independent capital to enable him to hold on; if the local joint-stock bank, instead of screening his insolvency, is to be compelled from a suspension of its London facilities to let him go; and if the whole set are ultimately obliged to break up unhelped by their former supporters, solely from the Bank of England not being allowed to issue any quantity of notes that might be necessary to postpone such a

consummation, it is easy to conceive there can be no limit to the bitterness of the denunciations against the principle which leads to this inexorable conclusion. If the people at large were to allow themselves to be duped into the combination, the spectacle would indeed be deplorable. They are urged to join in a cry which would enable those who by over-speculation have driven up the prices of all kinds of commodities to force the consumers still to pay high rates, and compel the prudent capitalist, who now finds his money worth 10 per cent., to prop up the delusion by lending it at 5. They are also asked to lower the standing of the nation in the eyes of the whole world by announcing the inability of its merchants at large to maintain their ground unless protected by an arbitrary and, as the French Emperor terms it, "empirical" Government measure to prevent capital from finding, like all other commodities, its natural price, and thus to cheat the holder of gold, or its equivalent, to support the holder of silk or sugar. That such insanity could be witnessed in England 13 years after the triumph of the monetary and free trade measures of Sir Robert Peel was not to be credited, and with the abortive exhibition of the Glasgow resolutionists and the recent exposures before the Currency Committee in Parliament it is to be hoped the degrading agitation on the subject will now cease. Let every respect, consideration, and sympathy be shown to those houses who, notwithstanding the exercise of caution and the possession, apparently, of ample means, have been temporarily broken down by the American default—a calamity which they well know has been totally independent of any action on this side; but let every one who has a particle of feeling either for the rights of commerce or the financial dignity of his country exert his power to silence the mischievous and, in ordinary times, imbecile pack who, knowing the ease with which panic can be produced in a moment of trial, are seeking by that process to cover up their own mismanagement and to bring prudent and imprudent alike into a common difficulty.

IX.

The Bank Charter Act is abrogated. Its fate at the second time of trial has been the same as at the first. The English Government have resorted to the notification that the Bank are authorized to extend their issues on approved securities without regard to the amount of bullion in their vaults, at a rate of not less than 10 per cent.

Although the announcement will give immense relief from fears which were rapidly spreading, there can scarcely be an Englishman who will not receive it with deep regret from the humiliation it involves. It must have resulted from one of two causes—either blind fright or an inherently unhealthy condition of business which prevented our merchants from sustaining themselves against a rate of discount such as is borne at Paris, and a number of other centres of commerce. In either case the conclusion is equally lowering to our fame as a mercantile nation. It is satisfactory to believe that the measure was neither asked for nor recommended by the Directors of the Bank of England, or any delegated representatives of the leading mercantile or banking firms. At the same time, in justice to the Government it must be admitted that the period had obviously arrived when protective steps of some kind had become absolutely necessary. The position of the Bank of England and the private banks was never one of higher confidence, but the apprehension was evident on all sides that a withdrawal of deposits from the discount-houses and joint-stock banks might commence at any instant and totally cripple their power to continue further accommodation; that the Bank of England, from the point to which their reserve has been brought by the sudden sweeping away of nearly two millions of gold for Ireland and Scotland, could in such case afford no adequate help, and consequently that if a resistless panic was not to be considered as having actually commenced, we were in a position in which

no one could calculate on its being kept off even for a single hour.

But there were remedies available other than that of breaking and destroying the law—for a law which has been contemned on each occasion of trial must be looked upon as destroyed. The state to which we had come had not been brought about by any fault of the Government or of the community at large, and it was for those who had occasioned it to find their own means of extrication. They did not look about for those means, because they knew they could obtain relief elsewhere. If this conviction had not animated them they would long before the present week have concerted measures of defence. The whole history of our situation is plain. For years past certain provincial joint-stock banks have gambled to an incredible amount by means of what are termed re-discounts—that is, with a limited capital they have granted accommodation to an almost unlimited extent, sending the larger proportion of the bills thus negotiated to the discount establishments in London, who, in turn, discount them for the joint-stock bank on the strength chiefly of the endorsement of such bank, and not upon any careful estimate of the responsibility of the drawers or acceptors, or the legitimate character of the transactions they represent. “Of course we are safe with the endorsement of the Liverpool Borough Bank” is the cry; “the character of its business may be doubtful, but its shareholders are all liable to their last farthing.” Again, “Why should we hesitate with the Western Bank of Scotland? Among its proprietary are two or three names which are alone good for as many millions.” But how is the money obtained which is thus freely granted by the London houses? The security relied upon is the ultimate responsibility of a certain number of shareholders scattered over a large district, and which, so far from having anything in common with a sound banking security, is wholly unavailable in emergencies, and can never be realized except through protracted legal

processes; but the money advanced consists of deposits lodged for the most part *at call* with the discount-houses, or at notice ranging perhaps to a month with the joint-stock banks. Here, then, is a deliberate breach of every recognized banking principle, and it is one that on each occasion of trouble has led to the same results. The London money-dealers cannot have been insensible to the peril; but their practice is to carry on the system until its inevitable consequences develop themselves, and then to seek safety by cutting off "facilities" and throwing the applicants upon the Bank of England. Then we have deputations to the Governors, threats that if something is not done the whole trade of the country will be brought to a stand, and an outcry, of course successful after the requisite amount of alarm has been created, for the suspension of the Bank Charter Act.

If, however, the example of 1847 had never been set, and these persons had been taught to feel that, happen what might, the laws of the country—in the full knowledge of which they had undertaken all their operations—would be rigidly kept inviolate, not only would the public never have been disturbed by predictions of coming ruin, but every safeguard that ingenuity could devise would have been secretly prepared to provide for any casualty. If the discount-houses and any of the joint-stock banks apprehended a withdrawal of their deposits to an extent to cause public inconvenience, it was their business to make common cause to guarantee each other's safety, and, if any nominal or contingent suspension were necessary, to bear the discredit of it themselves, and not to inflict it on the Bank of England and the country. They could have announced to the public that a run being threatened they had combined to mitigate its consequences; that, not being able to foresee its possible extent, they had agreed to suspend for the moment any return of deposits, and that to meet the difficulty they would issue their promissory notes at three months bearing nine per cent. interest, and secured by their common liability. A meeting of all the

principal bankers and merchants, including the Governors and Directors of the Bank of England, might have expressed approval of the wisdom of their course, and before a few weeks had passed these notes would have been at a premium. But, unquestionably, the character of the issuers would have been damaged, since the fact of their having been obliged to resort to such a method would have fixed them in their right position in relation to the causes that had led to it. If any character was to be damaged, it was much more pleasant that it should be that of the Bank of England, the country, and the Government, and thanks to the complaisance of the latter, they have succeeded in putting it on that footing. To be sure they took care that matters should go to a point at which the Cabinet would have little choice.

There was, however, an alternative which, although equally unjust in being an act of Government relief for which there was no true claim, would still have prevented a sacrifice of principle. An issue of one-pound notes could have been adopted without any infringement of the doctrines on which the Bank Charter Act is grounded. The fact that the permission for the circulation of such notes terminated in 1829 is not material, as the law could have been set aside on one point as easily as on another. This plan, however, seems not even to have been considered. After ten years' experience, therefore, and all the enlightenment that was thought to have been attained, we have been thrown back at once to the discreditable position we occupied in the last crisis, and all the admirable conduct of the Bank of England and of the respectable mercantile public has been rewarded by a proclamation to every speculator or reckless money-lender who may choose to disregard the plainest principles of monetary science, that he will always find his safety in the very panic which his own misconduct has promoted, and that the only persons who will be brought to disappointment or confusion will be those who have prudently guided themselves by the law, and have relied throughout upon its inviolability.

X.

The intended summoning of Parliament is the most satisfactory announcement that could have accompanied the suspension of the Bank Charter Act. While the causes of that event are fresh, they must be thoroughly sifted and exposed.

In England every contract is made in gold. Any man who comes under an engagement to pay a certain sum on a certain day pledges himself to deliver so many sovereigns. He cannot be released from this except by the consent of the other party, and consequently nothing can be a legal tender in discharge of debts but gold. Gold, therefore, is the true currency, and every attempt to substitute anything else is simply an attempt to break a contract. Government may legalize such a process, just as it may compel a man who is entitled to 20*s.* to take 15*s.*, or instead of a horse that has been sold to him to receive a cow; but it can do this only at the expense of every principle of public morality.

When the Bank Charter Act was established, it placed England upon the footing of having an entirely metallic currency. The total circulation was about £36,000,000, and thenceforward no addition to, or subtraction from that amount, could take place except precisely in accordance with the natural flow or efflux of the chosen metal. Here was something apparently inviolable. It made no difference that the £36,000,000 comprised certain existing notes, namely £14,000,000 of those of the Bank of England, and £8,000,000 of those of country bankers, and that these, instead of being actually representatives of gold in hand, merely represented credit. It was enough that an assurance was given that this element of credit would remain at the point fixed, and would never henceforth be allowed to fluctuate. The movements of gold for the future would exclusively regulate every transaction.

Hence this Act placed us virtually in the happy position of a nation with a pure currency, subject to no disturbance from the

caprices, injustice, or exigencies of Governments, and varying only in accordance with its natural supply. Unless any one can be found to contend that a person who has contracted to deliver one thing may be allowed to substitute another, all mankind will admit we had thus attained a perfect system. Every engagement being based on gold, gold was to be left to its natural course. No man who had contracted to deliver it would be subjected to any other risk than that resulting from the legitimate variations in its market value. He might find, when his payments fell due, that the use of it was worth 10 per cent. per annum, or 3 per cent., but that would be a risk voluntarily undertaken when he entered into his contracts. What he would lose the other parties to the contracts would gain, and *vice versa*. Government could no more interfere with justice to alter this relation than they could seek to give relief to a man who had promised to deliver a quarter of wheat on a certain day, and who found it inconvenient to do so, because he had accepted 50s., and the price had meanwhile advanced to 80s.

But it appears that this question of the power of "relaxation" is now to be finally raised. The power has already been twice illegally exerted, the Government taking the responsibility, and Parliament will be called upon to decide if it shall be permanently established. The proposition is simply whether the Minister or certain Commissioners shall be delegated to declare, whenever it may appear to them expedient, that all debtors who may have committed themselves to make payments in notes representing gold shall be allowed to substitute notes representing *credit*, thus injuring the prudent creditor who has calculated that at that time the demand for gold would be such as to render his position one of great advantage. No doubt, if the Government letter had not appeared on Thursday, money would have been worth 20 or 30 per cent., owing to the general panic that would have been created; but is it to be henceforth a law of the country, that in all cases of disturbance of prices from panic and

misconduct Government will step in between those who would respectively gain and lose by that panic, to the benefit of one party and the injury of the other? If so, the principle must be applied consistently; and the farmer who has made an improvident contract to deliver grain, or the manufacturer who has promised goods, must, if ever he should be threatened with ruin by an intervening rise of prices from wild alarm at a possible failure of crops, or a deficiency of raw material or labour, be entitled in like manner to such a suspension of the law relating to contracts as will extricate him from his painful situation.

But for the events of the past week respectively in London and Paris, which should teach us moderation in criticizing the financial ideas of our neighbours, it might be said such a system would be more in harmony with continental than English views. It will, however, be urged that it would be foolish to sacrifice the entire interests of the country to national pride and consistency; and that, although in strict theory, Governments should never interfere with the voluntary contracts of individuals except impartially to enforce them, it would be better, if we are not sufficiently advanced for such a state, rather than that everything should be brought to chaos, that a master in the shape either of a Finance Minister or a Bank Commissioner should be allowed to interpose and say, "This confusion must be stopped. I will now adjust your relative claims so as to give 'relief' to one side against the other. You are unfit to be left to yourselves, and it is time for me to step in."

Before adopting such a conclusion it will be the duty of Parliament—1, to inquire whether there is no way even for Government to interfere in a crisis except by tampering with and debasing the currency; and, 2, whether it is not through the conviction on the part of fraudulent traders and reckless money-lenders that this tampering will always be resorted to to throw the consequences of their own misconduct upon the country, that we find ourselves periodically disgraced by such events.

If the Government choose to interpose the credit of the nation to help the imprudent against the prudent—for amid all the verbiage about giving “relief to trade,” the “springs of industry,” the pressure of “the screw,” and so forth, it must be remembered that the result of an internal crisis is simply to force one portion of the community, who allow themselves to be drawn into a panic, to part with their property at a sacrifice to another and more clear-headed portion who find themselves in a condition to buy it,—this credit can at all events be given in its true form, and need not be infused to adulterate the whole mass of our currency. Treasury notes, bearing interest if necessary, would prove the true medium. What would be done by the people of Hamburg, where the currency is purely metallic, supposing they found it impossible, as their American losses have been heavier than our own, to carry on trade with discount at 10 per cent.? Would they issue false coins to mix with the existing circulation? Obviously their only resource would be to put out notes, honestly carrying their character upon their face, and avowedly representing credit, and nothing else.

The grand and final question, however, is, Are we really so ignorant and immoral in the management of our trading affairs as to need any paternal State contrivances to keep us from going wrong, or to extricate us when our folly would otherwise bring its natural warning? A greater libel on the nation could not be proclaimed, and before Parliament sanctions it, by placing us under the discretion of a Minister armed with a “relaxing power,” let them thoroughly investigate the secret history of our present position. They can call witnesses, who are prepared to unfold the whole, and they will find that the reputation of the country has been sacrificed in order that the consequences of the most unscrupulous conduct might be thrown anywhere rather than upon those who deserved them, and that a system of fraudulent credit, which would render fair trade impossible anywhere, instead of being broken up for ever, might be again

resumed, to the immense profit of its principal supporters, and so as to lead in another ten years to the same disgraceful result. The charge is that credit to the extent of millions has year after year been granted by large provincial joint-stock banks, and other establishments in Scotland and England, to the lowest class of speculators; that the power to grant this credit has been obtained from London, where the money-lenders, holding all the floating balances of the community, have employed such balances more or less in re-discounting the disreputable paper thus manufactured; that, although the balances in question were liable to be called for at an hour's, or at most a few days' notice, these houses were well aware that, in case of any sudden pressure or discredit, they had no means of meeting such call; and that the only real security of a large mass of the paper they had taken consisted either in the liability of hundreds of unsuspecting shareholders, which could be enforced only by long processes at law, or in a realization of sugar or other produce which they had assisted their *protégés* to hold, and which at such times would be almost unsaleable; and lastly, that, with the knowledge that under such circumstances their whole system would be brought to a crash unless they could force the Bank of England to step into their shoes, they resolved, in reliance upon the precedent set by Government in 1847, to accomplish their ends by abstaining from any precautionary sacrifices, by spreading universal alarm, and by threatening the Bank and the Government with a general stoppage. It is also asserted that the principal parties in the movement—already celebrated for analogous proceedings in 1837 and 1847—resorted, not merely to influences of this description, but to steps at the eleventh hour which could not fail to embarrass the Bank and to render panic unavoidable. Let these things, therefore, be examined at once, and let the persons themselves be summoned to give their own explanations, and attempt their own justification. The Legislature can then decide whether the laws of the country shall be

modified to enable such practices to be perpetuated, or whether it shall be announced that those who for their sordid purposes supply capital to adventurers of all descriptions, trusting to escape from loss by the final responsibility that can be enforced against the aged men, widows, and orphans, as well as the more "wealthy" sections of the proprietaries of the broken banks they have encouraged, must henceforth protect themselves, and that, if any of the trading community choose to be entrapped into a common convulsion, the only "relief" they are to expect must be such as they can derive from recognizing the wholesome lesson which, under the natural relation of cause and effect, has at length been rigidly conveyed to them.

XI.

The Western Bank of Scotland it appears is to be resuscitated if the shareholders will subscribe a specific amount and the creditors will grant certain periods of extension. As the recovery of claims is much more practicable and inexpensive in the case of a concern that has still a vital character than under the operation of liquidators, it is satisfactory for the sake of the deluded proprietary that a prospect of this kind exists. Whether it is to be desired for the general interests of the community is another question. Under a resumption an exposure will, of course, be more or less avoided of the profligacy that has brought the bank to its present position—an object which doubtless adds to the immediate zeal of all who might be implicated—but for the sake of public justice, and especially with a view to the approaching Parliamentary discussion, it would be well for the whole details to be dragged to light.

Moreover, the Western Bank of Scotland does not profit by

experience. It was helped on a former occasion, and the result is unfavourable to any propositions it may henceforth make. It seems to be admitted that £1,000,000 of the assets has been lost. It is "thought" that that amount may enable the business to be carried on as usual. It is also alleged that at least half of the deficiency has been through advances in aid of a gang of pretended mercantile firms whose whole system was based upon the manufacture of fictitious paper. The private history of these proceedings must be full of instruction. The directors either sanctioned them or committed the worse offence of entrusting a single manager with uncontrolled power, not merely to squander among his creatures the funds directly committed to the Board, but also to play with the entire responsibility of his victims to their last farthing and their last acre.

But, although the whole of this is likely to be passed over, and it is probable that so far from any of the promoters of it being brought to punishment, several of them will still retain their position and be honoured with future votes of confidence, a conjecture as to their general course of action may be gathered from the revelations in connexion with a similar institution less fortunate in the prospect of secrecy. The Liverpool Borough Bank is to be wound up under the Joint-Stock Companies Act of the present year, and in this case, therefore, we may hope to be enlightened as to the interior working of such concerns. Already a meeting has been held at which much has been unfolded, although the usual desire was manifested, perhaps for necessary reasons, that the outside world should know as little as possible. The directors announce that more than one-fourth of the capital is gone, and that three-fourths are "unavailable." Land, ships, shares, and other things expressed by the term "securities of various kinds," constitute a large part of the wreck that remains. According to a committee of shareholders, indeed, not only the capital but also a considerable portion of the deposits and other means of the bank are locked up in this

way. Calls are therefore to be made and enforced upon the unhappy shareholders "with all reasonable speed." The most significant fact, however, is one that bears strongly upon the desirableness or otherwise of encouraging attempts on the part of concerns of this kind, such as are now making by the Western Bank of Scotland, to resume. After the stoppage of Mr. Oliver, of Liverpool, in 1854, in which the Borough Bank and its supporters were very discredibly compromised by attempts at public deception, the directors wrote off £371,000 to the debit of profit and loss, but, so far from this having operated as a warning, it is evident it was only to have been taken as a stimulus to greater gambling in future, in order that it might be rapidly repaired and exposure prevented. Everything was to be kept quiet. It was "thought that one or two prosperous years would place these accounts on a legitimate footing." What was meant by "prosperous" years may easily be imagined. In ordinary and legitimate banking the possibility of profit is always clearly defined, and it admits of little variation. Did the Liverpool directors hope some new Mr. Oliver might rise up to serve their purposes whom they might use and throw off in time so that his defalcations might fall exclusively upon the public instead of, as in the previous instance, chiefly on themselves? Whatever may have been their views as to the prosperity by which so much was to be made in one or two years, in addition to the usual handsome dividends, they were disappointed. "Unfortunately," it is remarked, "this project has not been realized, and the crisis which has now come upon this institution has been its consequence."

Here, then, we have an example of the way in which lessons in such cases are turned to account. Instead of a mitigation of recklessness the cry is "double or quits." The Western Bank of Scotland boasts of excellent intentions under a new management—(a new manager is always to set everything right)—but, viewed by the light of the Liverpool disclosures, it is an

uncomfortable feature that they also boast of their future prospects of rapid recovery. They have at least a million to make up. What is the number of prosperous years in which that process is to be effected?

XII.

A meeting has been held in Glasgow, with the Duke of Hamilton in the chair, which was attended by a body of landed proprietors whose united income exceeds £200,000 a year, as well as a crowd of "merchant princes" and others whose income exceeds £2,000,000.

What was its object? A great bank which had been entrusted with a million and a half of capital, and six or seven millions of the property of the district, had failed under the most censurable circumstances. Its directors, either by their own act or by delegating uncontrolled power to an individual, had allowed not only this property, but also the unlimited liability of 1300 shareholders, who relied upon their prudence and honour, to be perilled by long-continued advances to a combination of speculators who, through an organized system of fictitious bills, were destroying all possibility of honest trade. The discovery induced the more cautious of its creditors to protect themselves by withdrawing their funds from such a concern; a run upon its deposits commenced; the other banks marked their opinion of its course by refusing aid except on condition that it should be wound up; and although they subsequently made an advance without insisting on this stipulation, they decided ultimately to face the danger of such panic as might arise from its stoppage rather than carry it through. The stoppage accordingly came,

and with it the dreaded panic. The entire country was thrown into confusion, and the sequel has been recorded.

On such an occasion, it will be said, well might the aristocracy, the gentry, and the traders of Scotland unite in an uncompromising expression of opinion! Of course they would exclaim, "We have two duties to perform. We must endeavour to restore confidence in the other banking institutions, against which there is no charge of mismanagement; but, above all, for the sake of public morality, we must denounce the proceedings in which all this misery has originated, and proclaim to the world that those who encourage fraudulent speculators, not only to the ruin of the legitimate merchant, but so as to risk the means of existence of hundreds of unsuspecting shareholders, have no countenance from any section of our community. We cannot be exempt from liability to such disasters. At Liverpool they have had the case of the Borough Bank, and in London the Royal British and the London and Eastern; but we can at least place the culpable parties in their proper position, and thus diminish the chances of similar recklessness for the future."

In jumping to this conclusion, however, the general public would be wholly in error. The meeting in question had no such purpose. The offences of joint-stock companies, and especially joint-stock banks,—always excepting the unfortunate Royal British, some of whose duped directors, now about to be prosecuted, actually struggled hard according to their judgement to save the property of all concerned,—have come to be looked upon as entitled to universal forbearance. Dukes, landlords, merchants, and millowners are unanimous on this point. "One murder makes a villain—a thousand a hero." Bring down ruin on a sufficiently large scale, such as only a joint-stock bank can effect, and at once there is nothing but the tenderest consideration.

Hear the words of the gentlemen who represent the aristocratic dignity, the severe morality, and the trading wealth of the sister kingdom. From the commencement of the meeting to its

close not a single sentence was uttered that breathed anything inconsistent with entire approval and admiration of the Western and City of Glasgow Banks, and especially of the former as the grander of the two; all that is publicly alleged against the latter being that it has not considered bill-drawing agencies at California and New York to be inconsistent with the functions for which it was established. The Duke of Montrose is reported to have observed, "We must all lament that a panic without cause or reason should have arisen and should have brought about suspension of payment by two banks." The Western Bank, which caused the panic, is here represented as its victim. Next it was intimated, by way of putting the suspended concerns on a good level, not only that the Bank of England could not have resisted similar circumstances, but that the conduct of that institution had in some mysterious way, not explained to the meeting, but assented to with loud cheers, "not a little to do" with the catastrophe. Sir Edward Colebrooke, M.P., cordially agreeing with all that had gone before, pointed out, with the view of adding to its strength, that "the credit of the country stands upon the confidence of man in man." He omitted to mention, however, whether the man on one side was to be the spurious bill discounter, and on the other the credulous depositor. Sir J. Maxwell, of Pollok, appealed to the most amiable of weaknesses. He knew nothing of the management of the two banks in question, "but he knew that one of the greatest trials a banker can have is to resist the entreaties of his own friends." "For my part," he remarked, "I think we should keep in mind not only ourselves, but those gentlemen who conduct the affairs of banks, who are frequently led from motives of kindness and philanthropy to try to rescue us from any difficulties." Sir John Paul was a philanthropic banker, and we have seen what came of it. But the climax was reserved for Mr. Walter Buchanan, one of the members for the town, and who may therefore be regarded as Glasgow personified. Mr. Buchanan, as a man of

business, saw, perhaps with a clearer eye than the noble speakers by whom he had been preceded, that the public would perhaps, after all, doubt whether the conduct of the Western Bank had been unexceptionable. He therefore met that point at once by informing them they had nothing to do with it. "I am not here," he said, "to say one word as to the question of management. That is a question which we, the public, have nothing to do with; that is for the directors, the managers, and the shareholders of that establishment to settle." If a concern is entrusted with eight millions of money, and the power likewise to ruin 1300 shareholders, including all sorts of aged and dependent persons, what business is that of the public? Let them mind their own affairs and leave the parties in these little matters to their own arrangements. Having disposed of that difficulty, Mr. Buchanan went on. The two establishments, he added, "had succumbed from mere accident"—a statement which, if we are to dismiss all question about management, must of course be valid. And he persists, if it was not accident, it was "caprice." He also called the meeting back to the comparison they had already received with so much favour of the Western Bank with the Bank of England, and wound up by a declaration that such were the claims of the Western Bank and the City of Glasgow Bank upon the grateful homage of the nation, that rather than they should be allowed to be extinguished, the State should come forward for their support. "Whether by fresh subscriptions from the proprietary, *whether by aid from Government*, by whatever means it is to be done, it would be a grievous evil were these two establishments not again to be reinstated." The whole reads like a jest; but, although Sir Archibald Alison considered it "a proud thing for the country," looking at the similar tendencies lately exhibited in London, Liverpool, and wherever analogous exposures of joint-stock misdeeds have taken place, it must prove a melancholy one to all who value British credit.

XIII.

There is one aspect of the agitation against a rigid maintenance of the Currency Law of 1844 which, if recognized by the public, will especially assist their comprehension of its nature. The theory of Protection was not extinguished with the Corn Laws. The battle on its behalf will again be resumed in the House of Commons. Sides have changed, and this time it is the commercial classes who are to protest against unfettered markets. The vital principle at issue is the same, but whereas we might now find Colonel Sibthorp, if he were alive, fighting against Government interference with the price of gold, the manufacturers, money-dealers, and traders are clamouring that it is upon this alone our financial safety in times of trial must depend.

Gold is a commodity, and is regulated by the same natural laws as every other commodity. But the cry is that it is impossible for the commerce of the country to be carried on unless Government is empowered whenever, owing to a foreign or home demand, the metal rises beyond a certain value to take measures to check this rise, and to enable those who would otherwise be obliged to comply with the market terms to get it at a lower rate. "We cannot," it is said, "when all the world is struggling for it, be content with our regular share. Of course it will flow where the highest price is bid for it, and if we bid higher than other nations we shall get as much as we want; but it is inconvenient for those who require an article to have to pay more than they expected for it, and if those people, whether abroad or at home, who have hoards of sovereigns in their possession will not lend them to the indebted classes at a lower rate than 12 or 15 per cent., it is the business of the Prime Minister, for the protection of those classes, in some way either to discover secret deposits or to manufacture a pretended supply that shall render them independent of such extortioners."

Happy arrangement! While the hard calculator sees the time at hand when the gold he has prudently reserved will be worth 15 per cent., the dashing speculator comes to him with a laugh and says, "I shall offer you only 10 per cent., Government, considering that you were making too large a profit, have sent a quantity of the stuff into the market, so now you must be content to take such a rate as they think reasonable. Perhaps you expected also to buy sugar, silk, and all sorts of articles at a vast reduction. If so, you are disappointed. Thanks to Government, prices are looking up again. Doubtless, you think you were very wise in the results of patient inquiry and reflection that told you that about this time the improvidence of other traders and a foolish panic on the part of a selfish multitude would render gold worth almost anything; but if, instead of troubling your brains by watching the regular movements of mercantile affairs and providing against them, you had got some friend to tell you what was going on in Downing-street, you would have done better."

In vain the deluded capitalist might exclaim that this additional quantity of circulating medium which the Government have brought into the market is not gold, but simply paper secured by their own credit; and that those who have contracted to receive gold will surely not receive this paper on the same terms. On that point the answer would be, they have no choice. The new credit-notes have been manufactured so as to be identical in appearance with those which represented gold, and they are indiscriminately a legal tender. The infusion has been at the rate of 2,000,000*l.* in 20,000,000*l.*, and consequently the currency has undergone a debasement of 10 per cent. Of course that is the sole reason of its being cheaper. The extent to which the infusion should be carried has not been settled. Some of its advocates wish a sliding scale,—that is to say, the issue of a certain quantity when the value of gold reaches 8 per cent., a further quantity at 10 per cent., and so on.

In all this we have the old play revived, only with different actors. The plea of the agricultural protectionist was, that unless Government would make corn dear, the fields must be left untilled—that of the manufacturing protectionist is, that unless Government will make gold cheap, our mills must go out of work. He cannot compete with the foreigner except upon this condition. In each case the community at large would bear the tax. Every fall in the rate of interest causes the prices of produce to advance, and the consumer suffers in proportion. Whether the paying sections of the community will consent to give Government the power henceforth to perform the process whenever the borrowing sections may assure them by the force of a sufficient number of deputations that it would be desirable, is the grand question of the prevailing controversy.

XIV.

Are the trading classes of England unsound to the core? A few weeks back, in relation to the case of Sadgrove and Ragg, and the subsequent development of similar practices among firms with some pretence to mercantile standing, it was contended that the non-punishment of such iniquities was to be attributed rather to defects in the machinery of the law than to any general laxity of opinion. An influential weekly journal doubted if that view were not too favourable, and from the daily records now presented, its incredulity would seem to have been well founded. No sign of healthy and independent feeling comes from any quarter. The Liverpool Borough Bank has between 300 and 400 shareholders, the Western of Scotland 1,300, and the Staffordshire and Wolverhampton 200, while the number of creditors in each instance is proportionately

extensive. But in certain respects they seem all to be in harmony,—namely, that the directors shall receive every mark of consideration or even of gratitude; that there shall be no attempt to displace them, so as to prevent concealment of misconduct; that all efforts towards resuscitation shall be under their auspices and with a view to intrusting them with renewed power; that there shall be nothing like a rigid examination of accounts; and that, instead of any lesson being drawn from experience, there shall be a general agreement to “say nothing of the past” and to spread an impression that what has happened is a great public calamity, for which, as if it were an earthquake, no one is in any way responsible. At Liverpool it is put forward evidently as a great merit that none of the directors had recently sold any of their shares in the market. At Wolverhampton the fact of their being ready to subscribe £100,000 towards a new capital, after having jeopardized more than half a million of the old, is cited as an example of “liberality” worthy of all fame, and at Glasgow their whole conduct is represented like that of a band of patriots struggling in some national cause against base and envious calumniators.

It will be said the shareholders and creditors, as the suffering parties, can, at all events, have no motive for their course, except from the promptings of kindness; but this is not the case, and even if it were, it would be no excuse. Let people fulfil their duty to society, and then be as generous as they please. There is no generosity, however, in the affair. The impelling thought is—“If by a general manifestation of confidence the public can be persuaded there has been nothing really wrong, we, the shareholders, shall get a chance of a new career, in which, by a renewal of the old management, high dividends may again be distributed (no matter at whose ultimate cost), and we, the creditors, shall get paid much more expeditiously than under the Winding-up Act.” Directors, shareholders, and creditors, therefore, are enlisted in a common aim, and it is by this fact alone that the overacted

unanimity at each meeting, and the cheers that follow every allusion to the "interests of the district," "the proud display of public spirit," and the necessity for avoiding all "hostile feeling," are to be accounted for. The recommendation of the chairman, at the last meeting of the Great Western Railway Company, that the shareholders should not condemn the nature of the management, unless they wished to damage the price of its shares, is accepted as the ruling principle of action.

But are the community at large to be blamed for this? Unfortunately there is no fairer type of the public than that furnished by the constituency of our various joint-stock establishments; and when, moreover, the views of these persons are supported by demonstrations such as that at Glasgow, representing the aristocratic dignity, the wealth, and morality of an entire country, there is little ground to flatter ourselves that we are looking merely upon exceptional tendencies, and that the great body of the people are in no danger of being misled. The only hope is that their apathy arises from their not having recognized the extent and character of the evil. Have they any accurate conception of the general history of a mismanaged joint-stock bank, and of the crime and misery it engenders? Do they reflect that the embarrassment and panic created through the country, and the consigning a number of shareholders, including usually a large proportion of women and hard-working professional men, from a state of fancied independence to complete poverty whenever the final crash occurs, constitute only a subordinate part of the offence for which its directors are responsible? It is the demoralizing career pursued through 8 or 10 years of "prosperity," before this consummation arrives, that works the deepest ruin. It is in calling into existence gangs of reckless speculators and fictitious bill-drawers and elevating them as examples of successful British enterprise, so as to discourage reliance upon the slow profits of honest industry, that a poison is infused which all the resolutions of all

the dukes, landlords, and merchant-princes in existence could never afterwards eradicate. Each point of corruption thus created forms an ever-extending circle. Youths are brought up to fraud, and no instruments are too high or too low for the purposes in view.

Turn to the Bankruptcy reports in *The Times* of to-day. The first case is that of Mr. Banes. He has been one of the acceptors for the Glasgow firms patronized by the Western Bank. His charge for the operation was 1 per cent., and in two years he earned in this way £600 or £700. He also employed other people to accept bills on their account. Two young women, shopkeepers at the West-end, and a Mr. Hopperton, of Oxford-street, were among the parties. The women gave their signatures as required, "probably without knowing the amount," and Mr. Hopperton accepted in blank. The next case is that of Mr. Warwick, a London warehouseman. He was one of the acceptors for Monteith, of Glasgow, for whom the Western Bank are said to have discounted bills for £400,000. Then comes that of Mr. R. J. Brown, of Newcastle. His business also was carried on by accommodation paper, and he appears to have relied on the Northumberland and Durham District Bank. According to the statement of the opposing creditors he was "a needy, reckless, and improvident trader, who went on as long as he could get assistance from the banking companies, to whom he was at the time of his stoppage under discount £200,000." Here is the experience of a single morning in our law courts, and it may be believed that if the general transactions of all the recently suspended banks could be exposed, this would prove but an insignificant glimpse of a system which has been pursued for years to an extent that has eaten into the heart of British commerce.

Our people will now have to decide through their representatives in Parliament whether it shall be continued. It is fostered by the money-lending power in London. Relying upon the

ultimate liability of large bodies of infatuated shareholders, the discount-houses supply these banks with unlimited means, looking not to the character of the bills sent up, but simply to the security afforded by the bank endorsement. They could not, however, pursue this course except in the conviction that at every period of pressure the Act of 1844 will be suspended for their accommodation. When the banks they have been encouraging break down, they would find themselves with a mass of temporarily inconvertible paper, which would cause their own stoppage unless they could force the Bank of England to give them relief. The point is, Shall the currency law of the country be modified in order to insure that end, or shall it henceforth be made known that they must trust to no relaxing power, that the credit of the nation will never again be given to them to play with, and that in the next time of trial, unless they can support themselves, they must be prepared to fall along with others?

XV.

Numerous communications received from the representatives of the solid commerce of the country indicate that the speculative classes will not have smooth work in their approaching onslaught against the Bank Charter Act. Perhaps, indeed, it is doubtful if they will dare to bring forward any definite demand for its abrogation. The plan will be to insist upon the introduction of a "relaxing power," and it is here that the danger lies of many respectable persons being entrapped into their policy. But it would be far better that the system should be entirely repealed. A law made to be broken at every time of trial can serve no other purpose than that of demoralizing the

public, by showing them either that it is not founded on any definite principle, or that a principle once set up may be habitually disregarded.

Many who feel the force of this argument, however, are deterred from upholding it by the terror that at a future crisis we might find ourselves cut off from all remedy. The doctrine, they say, is sound, but the practice would be too awful. Their faith is good, except up to the final point. In that case they had better leave principle alone and trust altogether to empiricism. The two will not mix. A soldier who believes that courage will carry him through anything, except when he comes to cross bayonets, should rely upon some other quality, and not trust to courage at all. He could create a panic, but never win a victory. If, therefore, the Government do not believe that our currency regulations under the Act of 1844 were based upon an immutable principle which, faithfully respected, may constitute a safe reliance at all times and under all circumstances, and prove, indeed, like the keystone of an arch, essential in proportion to the pressure that may exist, it will be their duty to suggest such other principle as they may conceive to be the right one,—for a right one there must be,—or to avow that they have no conclusions on the subject, and that we must return to the previous plan of leaving everything to the discretion of the Government or of the banking interest for the time being.

Meanwhile the advocates of the Act, believing that a truth is good for everything or nothing, are prepared to maintain not only that it has never failed, but that it never could fail. They also contend that it is to the virtual existence of that relaxing power which the timid are afraid to see entirely prohibited that the worst features of our position at this moment are to be traced. In 1847 the course of many of the provincial joint-stock banks had been as wicked as that of some of those which have just suspended, and the calamity was aggravated by an extraordinary degree of mismanagement on the part of the Bank of

England. It was the operation of the Act of 1844 alone that rendered the further continuance of their mischievous proceedings impossible, but this effect would not have been produced if the thought of a relaxing power had been present to the minds of those who were seeking to postpone or to shift upon other shoulders the final storm. It was not till the twelfth hour, when the law had done nearly all its work, and when a favourable revulsion had actually been observable for two days, that the Government letter was issued. Consequently, it was never acted upon, and but for the future influence of the precedent thus established the concession might have been comparatively harmless. It was, however, predicted that in any after-time of emergency the value of the law would be found to have been destroyed. Every one would rely that it would again be set aside whenever its pressure might become inconvenient, and consequently, instead of taking all precautions, would look to a panic not as something to be dreaded, but as a contrivance which at the proper time would enable them to go to the Minister and demand that he should make them easy.

How this anticipation has been fulfilled the records of the time will show. In 1847 Consols went down to 79. Sales were pressed, because all who had the means of thus making themselves secure lost no time in doing so. In the present case the market has never given way, because those whose duty it was to provide against the consequences of their own misconduct felt confident of relief from another and less costly method. Every one conversant with the City knows that for weeks before the final distrust was got up, the leading London discounters, instead of encouraging the mercantile public in their calm reliance upon the salutary working of the existing currency system, were busily engaged on all sides in denouncing it, and declaring that unless the bankers and traders would help to break it down, they (the discounters) would inevitably be driven to cut off all accommodation from the parties they had hitherto induced to rely upon them, many of

whom they had helped to speculate in all kinds of produce, and that a general convulsion would ensue. It is also known that, failing in their endeavours to frighten the more respectable portions of the public, they seized the opportunity of the alarm caused by the collapse of the Western Bank of Scotland and the exposure of its iniquities to press upon the Bank preposterous demands on an augmenting scale in proportion as they found them acceded to, and that finally, when their ends had been accomplished, they boasted of the feat they had performed.

Shall such a triumph ever be allowed again? Shall those who realize enormous fortunes by supplying "facilities" to concerns like the Liverpool Borough Bank, the Western of Scotland, and the Northumberland and Durham, secure that they can ultimately fall upon the unhappy shareholders, and who notoriously by similar conduct precipitated similar convulsions in 1837 and 1847, be allowed to proclaim that they can dictate their own plans to the country, and render the inflexible maintenance of a metallic standard upon which every contract in the kingdom is based impossible? Their feeling is, "The law must be broken down, or we must be broken down. If we were small people, of course there would be no question which should go. We should be told, if you have taken money at call, and have so employed it that you cannot get it in when it is wanted, you must make the best arrangement in your power with the persons you have misled. But, happily, so gigantic have been our operations that if we are allowed to be inconvenienced, wide-spread confusion will ensue, and we can throw upon the Minister the responsibility of such a contingency." Is not this reliance upon their ability to bring about universal ruin solely dependent, however, upon the knowledge that the relaxing power can and will be exercised? If these houses had been taught that the currency law, like all the other laws of the country, was made to be respected, and not to be contemned at the very moment when it falls in wholesome severity upon those who have disregarded

it, would they have waited without taking a single precaution until they could go to the Minister and say "Our destruction is at hand unless you help us;" or would they not rather at all costs have gathered up every available resource to provide against the coming peril? Instead of concocting the cry of "panic," would they not have assisted the press of the country in allaying all thought of so degrading a consummation? Would they have preferred to attempt to embarrass the Bank of England, or to use every effort to assist it in inspiring confidence? If their own safety had been enlisted on the side of a dignified course, we should have had them among the most strenuous allies in the cause of order, and theirs would have been the strongest denunciations against all who might even hint the possibility of distrust.

In times of distress it must be difficult under any circumstances to maintain the community in the exercise of self-possession. What, then, must be expected when a body of persons established in the very centre of our commercial operations are actually taught that it is by creating wild alarm they can best escape the consequences of past imprudence? The existence of a relaxing power simply amounts to this—it is a premium for creating panic at those periods when the welfare of the nation depends upon mutual confidence being sustained, not between the public and gangs of broken swindlers, but between all honest traders, who merely wish to be assured that they shall not suddenly be confounded with the dishonest. The continuance of the Act of 1844 with the introduction of such a power would therefore be worse than its total extinction. Under a vague system administered by the Bank of England or any other body, there would at all events be an uncertainty that would frighten speculators lest changes should come upon them unawares. In the opposite case they would have perfect immunity.

Let it be remembered that in prohibiting a relaxing power the country in no way shuts itself out from the possibility of relief in

case some strange convulsion should arise to drive it from its senses. If Government interference with the debtor and creditor relations of the people is to be tolerated, it can be effected without resorting to a debasement of the currency. Our system, like that of Hamburg, is in its practical operation a purely metallic one. The Hamburg people are at this moment seeking relief, but they have not proposed to the Senate to issue credit paper purporting to represent silver, and which can be forced upon creditors as a legal tender, and the equivalent of that metal. Instead of a spurious coinage to be mixed with the genuine, they have asked for a fair issue of Treasury notes, bearing a rate of interest that will induce persons to take them, and the Senate, it appears, has just granted their request. Whether even this precedent is a wise one will be doubted by all who advocate the freedom of trade from State control, but it is at least straightforward in its character. As, moreover, the merchants of that city have simultaneously made a successful movement to help themselves by adopting the plan lately suggested, and disregarded on this side, with respect to the joint-stock banks and discount-houses—namely, that of establishing a joint guarantee, they were in a better position than our own speculators to ask for Government help. The course they have taken is at all times equally open to us, and no plea therefore can be tolerated that the step just adopted here must still be kept in view as a final and only remedy against convulsion.

XVI.

An opinion has been expressed that at the approaching meeting of Parliament it will be the duty of Government to frame some further restriction on joint-stock banks. "If no such restrictions,"

it is said, "are to be proposed, then all the recent attacks upon them have been mere idle invective." This simply amounts to a doctrine that trading mismanagement must never be condemned, except upon condition that Government shall forthwith undertake to remedy it by new legal restraints. The thing wanted, however, is the abolition, not the extension, of Ministerial meddling. It is to the effects of Legislative interference with the natural relations of commerce that our present difficulties are owing. Let us have an ample and swift system of punishment under the criminal law for all direct breaches of trust or falsification of accounts, and then let Parliament leave the people to enter into such engagements as they conceive to be best for their own interests, and to gather from the discipline of experience the prudence which can be acquired in no other way.

The Bank Charter Act has been represented in some quarters as a restrictive law, whereas its object as regards our currency is to establish absolute freedom. Its sole purport is that no one who has made a contract to receive gold shall ever be forced to take as a legal tender anything that is not gold or its equivalent. This is but the solemn maintenance of an indefeasible right, and has the same groundwork as all our other laws for the protection either of person or property. But a true system and a false system will not work together, and hence the blind restrictions which exist in other respects spoil its working, and throw us into perpetual confusion.

If Government interfere with trade at all, they must do the work thoroughly, after the French fashion. As it is we have neither perfect freedom nor perfect surveillance. The people are told at one moment that if they make improvident ventures they must take the responsibility, and at another that Government will devise plans to render their investments secure, and in cases of especial pressure will adjust, by an action upon the currency, any inconveniences that may arise if these plans should fail. If a man beggared by connexion with a joint-stock bank

is asked how he could have been so foolish as to incur such a possibility, he may reply to the question, "What reason had I to suppose there was any danger? Had not the Legislature provided that in case of one-fourth of the capital being lost the shareholders should be called together? Had they not also arranged the very conditions on which the undertaking was established—the amount of each share and the sum that should be paid up? If the motive of these regulations was not to insure as far as possible the safety of all concerned, what other purpose could have been contemplated, and, seeing that Government had thus exercised its vigilance, how can I be reproached for relaxing a little of my own?" It has been the same with our savings-banks. The law for years gave people an idea that they had absolute Government security, and when misfortunes came it was found to be a half-and-half law, just enough to disarm prudence and nothing more. Yet in all cases when the evils of such meddling are developed, the cry invariably is for more meddling, just as under the old and avowed system of protection there was always a demand whenever any mischief happened that some fresh class should be protected.

The giant anomaly of our course remains, however, yet to be pointed out. While all the great convulsions of the country witnessed during the existing generation have been traceable to the operations of joint-stock banks, it is with regard to these establishments that the Government have maintained their most exclusive prohibition against the exercise of free will, on the ground that by so doing they could give the public a guarantee of safety otherwise unattainable. If a dozen persons on one side and a dozen on another wish to enter into a mutual agreement that the former should be allowed to take care of certain deposits which the other might be disposed to leave with them on the distinct and mutually understood condition that they should not be personally answerable for any loss, except to the extent of a certain subscribed sum, the law steps in to forbid any such

proceeding. Instead of the twelve lenders being allowed to do what they like with their money, they are told, "You are weak-minded persons. The State is the judge of the terms on which it would be prudent for you to trust other men, and it will take care to keep you from folly. It is true that Parliament has just passed a law to allow people to agree with one another in this way as regards all other commodities except gold, but the business in gold, although regulated by the same natural conditions as the business in wheat, silk, diamonds, or any other article, must be treated as something distinct. It would be such a dreadful thing if the country were to be liable to inconvenience from any mismanagement in that branch that the Legislature must violate a principle, and require the community to surrender their liberty of action in order to avert it. Whatever else may happen, you will find that the compulsory enforcement of unlimited liability will at least keep our banking system free from all danger."

Such is the argument, and the commentary on it lies in the history of the convulsions of 1837, 1847, and 1857. The wisdom of the Legislature, as opposed to the practical working of free will, has established a method to deter all prudent persons from having anything to do with those particular concerns which, unless managed with prudence, are capable of bringing down national disasters such as can be created by no other means, and has at the same time contrived that the speculators who are thus called to assume control shall be vested with the most tremendous power ever conceived for the purpose of begetting unqualified confidence—namely, that of pledging the liability of hundreds or thousands of persons to their last shilling and their last acre. As the public could not take care of themselves, this has been the system devised by paternal rulers to keep them safe. We behold its results, and now the demand on the part even of some of our most intelligent writers is not for its abolition, but for an increased exercise of State prevision.

The money-lenders and all who gain by the excitement of unhealthy credit will heartily join in the appeal. The moment these houses and the public are compelled in their dealings with each joint-stock bank to look to the character of its transactions and the integrity of its managers, instead of relying upon the unbounded responsibility of a host of deluded shareholders, the traffic in deposits at call and the "facilities" of re-discount will have reached its close.

XVII.

Throughout the entire currency debate which ensued on the first night of the Government application for an Indemnity, there was only one exception to the abstinence from any attempt to deny the exposures that have been made of the real nature of the recent infringement of the Act of 1844. But that exception was important. The measure either amounted to a depreciation of the existing circulation, or it was nothing. The Chancellor of the Exchequer wholly contradicts that it had any such effect. "It has been said," he observed, "that the Government have authorized the Bank to commit an act equivalent to a debasement of the currency, that what we have done is almost equal to permitting a repudiation of contracts, and that the sanctity of property was invaded by this additional issue of bank-notes. I entirely dispute the correctness of that view."

To most persons familiar with economical science, this remark will prove as staggering as if, in some discussion on mechanics, your opponent were to commence by calling in question the law of gravitation. It is more bewildering to have to answer such a point than it would be to argue out the most abstruse suggestion, just as would be the case if a person in the thick of a discussion

as to a series of events in the reign of Henry VIII. were suddenly called to prove that such an individual as Henry VIII. ever lived. If it is not to be taken for granted that an increased issue of an article, the value of which solely depends upon its scarcity, must depreciate the value of whatever quantity of it may have previously existed, it will be impossible to conjecture what single point of human knowledge can be taken as established. Why, the avowed object of the issue was to lower the value of all that had been issued before ! The debtors who clamoured for it pretended to have no other aim, and the Government in granting it distinctly stated that they recognized that view and thought it a desirable one. When we speak of the "circulation," we speak of the money of the country, and the step taken was for the purpose of lowering the price of money. Had it not been adopted, the charge for the use of the circulation would have gone up to 12, 15, or perhaps 20 per cent. The Government prevented it from advancing beyond 10. If this is not equivalent to a debasement, we must have new dictionaries. As soon as the Government announcement came out, the sellers of produce found that a chest of tea or a ton of sugar was worth a larger portion of the circulating medium than on the day previously. Was this because tea and sugar had instantaneously become more valuable, although the supplies in the market were just the same as before ? or because the circulation had become less valuable ? Again, if an increased issue of circulation does not depreciate the previous issue, why should the "relief to the bill-drawers and produce-holders have been limited to £2,000,000, and to keeping the rate of interest down at 10 per cent. ? If £2,000,000 could be granted without affecting the currency or interfering with contracts, why not £4,000,000 ? Immediately on the appearance of the Government letter, one gentleman, who found a very prominent place in a daily paper, remarked, while he expressed his approval of what had been done, that its only fault was in not going far enough ; 8 per cent. he considered to be the

highest rate that any borrower should be required to pay, and as the Government had already consulted the convenience of these classes, it was a pity they had stopped short of giving perfect satisfaction. It is one of the difficulties of the situation in which they have placed themselves, that they can hardly tell what is the charge that would meet with general approval; because, although the writer in question was so considerate as to say that when he wanted money, and its natural price was 12 or 15 per cent., he would be quite satisfied if measures were taken to enable him to get it at 8, other persons might be less modest, and might think the exaction of even 3 per cent. a usurious and unnecessary aggravation of their difficulties. Indeed, if the doctrine broached on behalf of the Government be correct, there can be no doubt this complaint would be valid. If a man who has a thousand pounds at his disposal, which would have brought him interest at the rate of 15 per cent. on a certain day, can be persuaded that the value of his money has not been depreciated when he finds he can get only 10; or, if another, who has to receive a sum at a certain period, which, under natural circumstances, would have enabled him to buy 100 bales of silk, can be convinced when he finds that owing to a measure of the Government it will purchase only 90 bales, that the prospects of his contract have not been interfered with, there can be no possible objection to carrying on the process to any extent, and every one will rejoice to see debtors and even speculators helped by the exercise of a beneficence which does harm to no one. Perhaps, if any old lady who receives her dividends on the 8th of next month shall apply to the Chancellor of the Exchequer, and say that she has been told that but for the Government measure she might have got more of the necessaries and luxuries of life than she will now be able to obtain for it, he will explain to her the whole philosophy of the case.

The plea at present is, that inasmuch as the extra notes just

issued are instantaneously convertible into gold upon demand, it is impossible to say with justice there can have been any depreciation. But the fact is, that even if the additional £2,000,000, instead of being in notes, had been absolutely in gold dug up from some secret hoard, which Ministers could have put upon the market at pleasure, they would have operated in an analogous manner. What man would part with goods for a sovereign today if he knew that out of a private deposit Lord Palmerston could tomorrow pave the streets of London with gold? If this illustration is applicable to the precious metal itself, what must be the case with regard to paper purporting to represent it? An issue of £2,000,000 of previously undiscovered gold would act upon the whole stock of gold in the world, and the depreciation effected would therefore be scarcely palpable; but an issue of paper to that extent tells solely upon the circulation of England, and produces a proportionate disturbance. The Chancellor says, "But you can get gold for it instantaneously. If the £5-note just issued to you is as good as five sovereigns, how can there possibly be any depreciation?" Great stress is laid upon the "instantaneous" convertibility, and it is here the delusion lies. For years past it has been deliberately agreed that if a larger amount than £14,500,000 of credit notes were issued, the convertibility of the circulation at all times and under all circumstances could not be guaranteed. Every note issued beyond that sum was to be secured by a corresponding deposit of gold. The gold thus held constitutes, therefore, an inalienable security against certain defined commitments. The person who has taken bank-notes on the faith that their convertibility is thus secured, relies that whenever he may present those notes, even if it be ten years hence, he will find the gold ready to be delivered to him. He may carry them to America, or remit them thither, as is frequently the case. He does not want to change them "instantaneously," or he would not have taken them at all. He rests upon the security which

is, in fact, mortgaged to him. If, however, Government, without his leave, borrow an additional sum upon this security, what is his position? Put the matter as between individuals. If a railway company were to issue promissory notes to a specific amount, secured partly by their property in the line and partly by a certain cash deposit at their bankers, and were subsequently, without any consent from the holders of this first issue, to put forth an additional amount of such notes upon the faith of the same security, and in such a form that no one could distinguish between one issue and the other, what would be the nature of the act? Would it be enough for them to say, "Oh, the security which was first solemnly made over as a guarantee for £500,000 is in our opinion quite good enough to cover £600,000. If you don't think so you can bring in your notes, and they will be instantaneously paid out of the cash portion of the deposit. It is true, perhaps, that when you entered into the arrangement you did not want to have to terminate it so suddenly as a matter of precaution, and also that persons at a distance may never know or understand what has been done; but it is your own fault if you are alarmed. We can assure you you cannot with justice say your security is depreciated from its being made to cover £600,000 instead of £500,000. So confident are we on that point, that if you bring in your notes we shall issue them again to some one else. Of course it would be very hard if the security should by any possibility prove inadequate for the whole amount, and some of the holders of the new issue should be found to have absorbed any part of the cash that was at first pledged solely to the others; but we do not think there is the least chance of such an accident. In fact, we are convinced it will be all right. You may have your misgivings, and may fancy that, if we assert that a security is not depreciated in proportion to the amount it is made to cover, we shall perhaps at a future time further increase the total from £600,000 to £800,000, or even more. Perhaps we may; but depend upon

it if we do we shall get the sanction of Parliament for it, and we hope that will satisfy you. On a former occasion, when paper was not so popular as it ought to have been, that body declared a one-pound note and a shilling to be as good as a guinea, and we still have every confidence in them."

The case seems especially adapted for legal comprehension, and perhaps the Attorney-General in the one House and the Lord Chancellor in the other will favour the public with their view of it. Meanwhile, simple people will still doubtless fancy that they have not been dreaming all their lives while they have supposed that to lower the value of a thing was to "debase" it, or that for Government to take measures to interfere with the supply of any given commodity, whether that commodity be gold, wheat, or anything else, is, whatever may have been the motives for it, neither more nor less than an arbitrary step for the disturbance of existing contracts.

XVIII.

It is presumed the Government in determining not to repeal the Bank Charter Act, have also resolved to intimate before the termination of the present session, that it is intended that the law should henceforth be respected, that all persons must therefore take warning that any commercial engagements they may voluntarily enter into will be subject to its operation, and that, after this fair notice, whatever may be the position in which they may choose to place themselves, there must be no idea of appealing to Government to throw the consequences on other shoulders. It is obvious that if the possibility of a new infringement of the existing system is again contemplated, either for 1867 or any other period, due provision should at once be made

for such a contingency, in order that the interference should come in a legal manner, instead of in the demoralizing shape of the suspension of a solemn enactment, under which the financial responsibilities of every individual in the kingdom are supposed to be regulated, at the pleasure of the Ministers of the Crown.

In insisting upon a well-ordered course for the future, there is no necessity to condemn the step recently adopted. The justification, or at all events the apology for the Government, is perfectly plain, although perhaps they will themselves adopt some other method of defence, founded on the routine platitudes about the serious consequences that would have fallen on the commercial community. It is that, owing to the setting aside of the Act in 1847, a precedent had been established which entitled the speculators and the indebted classes generally to go to the Government and say, "We have a right to expect that what was done then will be done now. Subsequently to that occasion there was no announcement that the law would henceforth be inflexibly upheld in its integrity, and that we must consequently be prepared for all that might happen under it; we have relied upon relief whenever we might be in a position to declare its pressure unbearable. We have therefore made no preparation for any other result, and we now, at the twelfth hour, throw upon you the responsibility of refusal." Moreover, if the Minister had dismissed the appeal on the ground that the petitioners had made their bargains with their eyes open, and that, if they had been improvident, it would be better that the natural lesson should be borne at any cost than that the State should begin a system of meddling with private contracts, which, once commenced, must be extended to all the vicissitudes of trading indiscretion, the argument would not have been valid. The rejoinder could have been made, "But you do meddle, and all that we now ask is that you should meddle again, in order to repair the consequences of your previous meddling. You have meddled to prevent joint-stock banks from being formed upon

such principles as the people, in the exercise of their own sagacity, might deem best ; and it is to the vicious and extraordinary power wielded by these joint-stock banks that the present convulsion is to be traced. You have meddled by establishing currency laws for Scotland different from those of England, and, lastly, you have meddled by compelling the Bank of England to publish a weekly account of its banking reserve, calculated at all times of emergency to cause panic ; while you proclaim that its constitution is precisely the same as that of every other bank in the kingdom from which no such return is required. You have also contrived so to mix up this return with that of the issue department, which belongs solely to the nation, as to create perpetual confusion in the public mind. Remove these inconsistencies, and then you may rationally talk of consistency on any other point."

It is in this way that the departure from principle in one respect precludes the possibility of its rigid enforcement in another. Government have hitherto assumed functions with which they have no proper concern, and the available plea is that previous empirical steps were to be met only by a remedy of an analogous description. Hence there is really no charge against them for their late pliability. The reproach will be if they neglect to establish a clear understanding for the future, and to proclaim a logical course, to consist in the avowed and entire recognition either of the French plan of surveillance, or of the more congenial doctrine of the freedom of trade from all artificial trammels. There may perhaps be differences of opinion as to which is the better, but no one will dispute that a mixture of the two can never answer.

XIX.

The following letter on the compulsory enforcement of unlimited liability as a protection to the creditors of joint-stock banks, who, although belonging to the commercial community, are assumed by the Government to be wanting in sagacity to make such contracts as will best protect themselves, is instructive. It will be seen that the evidence given by the City of Glasgow in favour of the paternal system was actually founded on certain "opinions" formed of the Western Bank of Scotland as an example of its beneficial influences. Probably, however, a great amount of public enlightenment, purchased by dearly bought experience, will yet be required before its true results come to be understood. In principle, the interference of Government to dictate the terms upon which traders shall trust each other is of course admitted to be unsound, while the enforcement of the system upon dealers in money, and not upon the dealers in any other commodity, is altogether inconsistent. But neither principle nor consistency is just now in fashion with respect to commercial or financial questions. The victims may ask what is the value of a protection that disarms their own vigilance and lands them where they have to struggle through all sorts of litigation, as in the case of the Royal British Bank, to get even a compromise, or where, as in that of the Western of Scotland, with 6 millions of deposits, they are condemned to wait for a couple of years. The prudent merchant may demand whether these banks would have been trusted with almost exhaustless means for their vile career but through the false confidence thus generated, and the practical statesman may protest that a law which has been shown to be so intrinsically odious to all careful and honest men, that few can be found voluntarily to place themselves within its scope, cannot be adapted to a state of social progress; but they will be overpowered by numbers who will still, like the Glasgow authority,

pour out the everlasting and all-sufficient phrase that, in their "opinion," there would be no safety for anything if a change were made:—

"Sir,—Allow me to call your attention to the report of the Mercantile Law Commissioners, issued in 1854, and more particularly to the evidence therein contained respecting Scotch Joint-Stock Banks.

"The commissioners circulated a series of questions with regard to partnership liability.

"Question 8 was,—

"Are you of opinion that unlimited liability, in the instance of joint-stock associations, especially where there is a numerous and wealthy list of shareholders, leads to an undue amount of confidence on the part of capitalists or money-lenders in the operations of the company?

"Do you think that it induces a board of uncontrolled directors, where the partnership is a joint-stock banking company, to discount bills or advance moneys more extensively and less prudently than the resources of the bank or the character either of the objects for which money is lent or of the bills discounted would warrant?

"Are not the directors of other joint-stock companies, under similar circumstances, liable to involve their shareholders by entering into engagements of an equally hazardous or objectionable character?"

"To these questions John G. Kinnear, merchant (selected by the Glasgow Chamber of Commerce), replies as follows, on the 3rd of December, 1853:—

"I do not think that unlimited liability in joint-stock companies whose partners are numerous and wealthy leads to undue confidence in the operations of the company on the part of capitalists or others, or that the directors of such companies are peculiarly liable to involve their shareholders in hazardous or objectionable speculations. My own experience is that the reverse is the case, especially with joint-stock banks. I consider the unlimited liability of the partners the best security for the creditors, and for the partners also. The unlimited nature of their liability stimulates the partners to elect fit and proper persons as directors, men of wealth as well as experience, on whom their own unlimited liability must operate as a check to imprudent speculation. It is the direct interest of these directors to manage the affairs of the company with prudence, and, if need be, to stop and wind up the business before the whole paid-up capital is lost; in other words, before they have incurred liabilities beyond the amount of their whole paid-up stock.....

"The Western Bank of Scotland, in Glasgow, have a paid-up capital of £1,000,000, with unlimited liability, but with a clause in their contract that they shall stop and wind up in the event of a specified portion of the capital being lost. The directors are men of wealth in the city, or of landed property in the neighbouring counties, men who are to the last degree unlikely to per-

mit this clause to be violated, or to bring the bank into such a position as to render the enforcement of the clause necessary.'

"How does this evidence tally with recent experience?"

"The whole of the above report is particularly interesting at this period.

"Your obedient servant,

"68 Chancery Lane.

"J. T."

XX.

The dealers in deposits and re-discounted bills may rejoice. Parliament and the Government are still disposed to uphold the system which, if not the cause of their prosperity, has at all events been singularly coincident with it. The debate on the exceptional enforcement of unlimited liability in the trade of banking—which, in fact, simply involved the question, "whether the mercantile classes are better judges of their own interests than either the House of Commons or the Government,"—terminated exactly as had been anticipated. The doctrine that freedom of contract cannot in all cases be safely allowed in England, and that Parliament should still retain in its hands the patronage of granting the privilege of limited liability to such banking concerns, whether home or colonial, as may contrive to find favour with it—was not exactly expressed in a direct resolution; but the motion of Mr. Headlam, which would have been tantamount to an opposite avowal, was got rid of by a vote of 118 to 47.

The public are already aware of the grounds on which the compulsory introduction of unlimited liability into all banking contracts is condemned. They may be resolved, in fact, into two axioms:—1st, That it is against all rational views of liberty that Government should interfere to dictate the terms upon which alone one individual should place confidence in another;

and 2ndly, That as all laws should be based on coherent principles, it is absurd to prohibit limited liability in any trade connected with the commodity called money when in the trades connected with every other commodity the public are allowed freely to exercise their own judgment. There is no occasion, therefore, to enlarge upon these points. But most people will like to be told in a few words the considerations that are urged for their being set at nought.

One gentleman, who seemed to think there was no getting over the fact that if the choice of limited liability is permitted in every other case of trading, it should in consistency also be allowed in that of banking, still contrived to do good service against the cause of commercial freedom from Government trammels by expressing extreme distaste for the thing itself. He thought that the operation of the prohibitive law was beneficial, and his reason for that opinion was, that it protects the public, who know nothing of the affairs of the Bank, while it throws the onus of everything on the shareholders, who have cognizance and direction over the conduct of their directors. What did he mean by "the public"? The only portions of the public interested in the matter are those who may choose to have dealings with the Bank, and the simple question is whether it is not quite as much the duty of these persons to ascertain its standing and character and constitution before entering into transactions with it, as it is that of some distant individual—a governess or a clergyman perhaps—out of a body of a thousand shareholders. Moreover, as these persons need not trust the Bank unless they choose to do so, why need Government trouble themselves specially to protect them from the consequences of voluntary acts, when they take no similar steps to prevent any old lady from investing her all in Venezuela Deferred Bonds or the shares of the Golden Wheel Mining Company just opened up in the middle of Wales? If we are to have protection at all, let us all be fairly protected alike. It is too

bad that those who may happen to be claimants on banks should enjoy the exercise of Government provision on their behalf, while the claimants on other establishments are obliged to trust to their own vigilance, although their time is equally valuable. The next argument was, that limited liability encourages speculation; but as the same speaker had just before shown that it encourages extraordinary caution by stating that he himself would not trust a limited liability Bank, there is no occasion to deal with that, especially as what he doubtless meant to convey was that he would not trust such a Bank except upon grounds that would satisfy any prudent man. No doubt he trusts the Bank of England, which is a limited liability Bank, but he does so on the faith of its capital and management. He next pointed out how well the paternal system works even in the worst cases by mentioning that the creditors of the Royal British Bank will after all get 16s. in the pound. They have not got it yet, and he omitted to remark, moreover, that while he attributes the recovery of that sum to the wholesome effect of the shareholders being liable to their last farthing, they would never but for the law of unlimited liability have trusted the Bank, or been in a position to trouble the shareholders at all.

The next speaker "believed" that but for the existing law matters would have been far worse than they are at present, but did not explain the grounds of this belief; whether for instance, if there had been no unlimited liability in the case of the Western Bank of Scotland, they would have been trusted with twelve millions of deposits instead of six, or would have had still greater "facilities" from the London discount-houses. This member also sought to draw some distinction to the effect that "other traders employed their own capital, but bankers traded with the capital of other parties;" and as no one asked him whose capital it is a man trades with when he gets a bale of silk or a cargo of tea upon credit, the remark seemed to answer

very well. In fact, the gentleman who rose after him—an ex-Governor of the Bank of England—was so struck with this observation that he hastened to express his entire concurrence with it.

The House was then informed that it is the *credit* of a Bank that constitutes “its sole and true capital,” a fact which is, at all events, undeniable in some cases; since, the Western of Scotland and Liverpool Borough Bank, having lost the whole of their paid-up subscriptions some time back, had latterly, thanks to the discount-houses, traded on nothing else. “If Parliament,” it was observed, “limits the liabilities of a Bank, it will also limit its credit;” and this seemed to be considered a very grave contingency, although there are some people, perhaps, who think it might not in the instances just mentioned have proved a very disastrous one. But the truth is, Parliament are not asked either to limit or to extend the liability of joint-stock banks. They are simply asked not to meddle at all in the matter. It might, moreover, have been inquired whether the credit of the Bank of England is limited by its enjoyment of limited liability; but that did not seem to occur to any one. This speaker then offered his testimony to controvert the statement that unlimited liability prevents prudent persons from having anything to do with joint-stock banks, and immediately, like one of the previous speakers, clenched his statement by avowing that, except under the most cautious circumstances, “he should not like to be a shareholder in such concerns.” He was not, however, wedded to the absolute enforcement of unlimited liability. All that he insisted upon was that there should be Government meddling of some kind—say to the extent of enacting that the liability should be to twice the amount of the subscription,—anything rather than cut the whole matter short by recognizing that the mercantile and financial classes do not require the Government to teach them how to conduct their own affairs. Finally, it was urged by this member as a subject for astonishment that any

one should say the system had hitherto failed in giving the protection it professed. He could recollect only two instances in which broken joint-stock banks had not paid in full. It is bad to trust to recollection on statistical points, and it is believed the list might be enlarged, especially by some illustrations from Newcastle. But it appeared to be forgotten that in all these cases of stoppage it is the delay that causes ruin. No doubt the depositors in the Western Bank to the extent of six millions will be told, "Oh, you will have nothing to complain of. You will get everything in the course of a couple of years." But in times like the present this is not quite so comforting as the honourable Member seemed to imagine; and moreover it will perhaps also be disagreeable to these depositors to feel that, although they may get everything, it will be by plunging hundreds of families, children, widows, and aged men, into inextricable and life-long penury.

The last speaker whom it is necessary to notice complimented his predecessor on the nature of his views, and immediately spoke against the most important of them by asserting that the chief object with regard to Banks was "rather to check their credit" than increase it. Supposing it would check it or increase it, however, each proposition served in turn as an argument to uphold the existing system, and to prevent the recognition of the one great principle of freedom of trade that would solve every difficulty.

Whether the public will think that the pleas just cited—and they comprise the whole that were brought forward—are sufficient to justify the maintenance of an anomaly which still keeps the theory of protection in vital play, and is opposed to the entire spirit of English independence and self-reliance, is the point that remains to be solved. All the views uttered by the majority last night, like many of those by which they have just been preceded on the currency, would have seemed consistent in the French Legislative Chamber under the presidency of

Count de Morny ; but it appears like an illusion to believe that they were heard in an assembly which more than ten years back affirmed, with an overwhelming voice, the wider conceptions that were then inaugurated.

XXI.

The remarkable feature of the currency debate which terminated the short Session summoned to pass the Bank Indemnity Bill, was the absence of the usual attempts to distract the House with a multitude of nostrums. At former periods nearly every speaker against the Bank Act has had a plan of his own to insure at all times a "sufficient" supply of the circulating medium, and, while no two of them could ever agree except in denouncing the existing law, they were a most formidable and distracting body, since with a hundred panaceas to demolish, before you had got to the end of the list the first was sure to be again as fresh as ever. All this seems to have been extinguished by the exposures before the committee of last session, and even Mr. Spooner, although in a mystical or non-natural sense, has advanced so far as to wish to repudiate any connection with the inconvertibles. At least two-thirds of the House appear to have given their adhesion to the theory of the Act of 1844, while the remaining third have for the most part abandoned their independent and incongruous devices, and have united on a common doctrine, which happily can be understood and handled. This doctrine simply is, that although the State may compel persons to take bank-notes as a legal tender for gold, they should not enforce any precautions to ensure that there shall always be a supply of gold to meet them ; that, in fact, it is not necessary to take any such precautions, since, if the law declares

that a bank which issues promissory notes payable in gold on demand shall always be held bound to fulfil such promise, it is quite impossible it can ever fail to do so. Considering the vast experience acquired by most persons before middle life, of the difference between a promise and its performance, the majority of mankind will perhaps be rather startled at this view ; but, as they have lately been told that an article whose worth depends solely on its scarcity is not in the slightest degree depreciated in value by any additional quantity that may be produced—that, in fact, diamonds would be as costly as ever if they were as abundant as acorns—it may perhaps not have taken them by surprise. The argument is, that as the amount of money which the public require for their daily transactions is regulated by the natural course of trade, no one will take any more than he wants, and that if a bank attempts to force out a supply of notes in excess of the legitimate demand, they will forthwith be returned to it. It is also urged that if trade should be carried to such an unhealthy point as to lead to a drain of bullion, the necessary contraction will steadily be effected by the notes in circulation being sent in for gold until the adverse condition shall have been corrected. How does this argument justify the doctrine founded upon it? The problem can be worked in a few lines. Suppose the Bank of England possessed of authority to issue notes at its own discretion, and that it were to resolve to support “the enterprise of the country” on a scale commensurate with the views of the authorities at Liverpool, Sunderland, Glasgow, and elsewhere, who have the broadest ideas of its functions. It discounts all the bills brought to it, makes advances on stock, railway shares, ships, iron works, and coal mines, and, in short, opens its purse to all comers. Supposing five millions to be thus issued in the course of a week, what would become of them? The gentleman who had just got a loan of £100,000 on some worthless ships would of course pay the sum into his bankers. That firm would pay it to their own

credit with the Bank of England, whence they would henceforth at any time have the power of demanding it in gold. But if the foreign exchanges at this time were favourable, they would not demand gold. In a little while, however, the fortunate borrower of the £100,000 would begin to think of turning his money to account. He would order goods from abroad, or buy foreign stocks, or help to get up new companies at home that would employ labourers who would consume foreign produce and create nothing that could be exported in return, and in a short time an immense demand would spring up for specie to be sent out of the country. The note-holders then, but not till then, would begin to take their paper to the Bank for gold, the depositors would draw out their deposits in notes and immediately present these also for cash, the stock would be rapidly reduced, even persons who had no foreign payments to make would take fright and resolve to get gold while there was any left, and at length it would be announced that there was no more to be had. A system that would admit of these results is what is now contended for by those who oppose Sir Robert Peel's Act, and for whom a circulation precisely analogous to one of pure gold is not good enough. It is the same as that which prevailed before the passing of that Act, and for which a remedy was universally demanded. It had led the Bank of England on one occasion to a suspension of specie payments, and had at a later period nearly produced a like event, when a loan of specie was found necessary from the Bank of France. For the second time within twenty years it has created similar consequences in America, having, in fact, from its operation in that country been the proximate cause of all the disasters just experienced here and throughout the continent of Europe. And the present moment is selected for recommending the British Legislature to return to it. "I hold," said Mr. Disraeli last evening, "that by ample, complete, and irrefutable evidence three things are established—that a bank-note con-

vertible at par cannot be depreciated ; that it is impossible for any issuer of any bank-notes convertible at par to force them into circulation ; and that prices cannot be affected by a bank-note circulation under such conditions further than they would be affected by an equal amount of metallic currency." In *The Times* of yesterday the failure was announced of an old, worn-out concern, called the Worcester Bank, of Messrs. Farley, Lavender, and Co. It had a small circulation of notes, all of which purport to be convertible at par. The holders, however, find the doors of the establishment closed, and are in much disquietude of mind. It would be a great charity to convince them by ample, complete, and irrefutable evidence that their property has not become depreciated. Perhaps the only way to do so would be by buying the notes of them at the rate of 20s. in the pound. Will Mr. Disraeli, or any of the professors of the school he has joined, seize the opportunity to give a tangible illustration of the sincerity of their convictions ?

XXII.

The advices from Hamburg to-day (the 3rd Dec. 1857) indicate a degree of discredit such as perhaps has scarcely ever before been witnessed in any commercial city. All the efforts of the leading merchants, combined even with those of the Government, seem powerless to create the slightest revival of confidence. The warehouses are choked with unsaleable produce, and, so far as instant availability is concerned, the acceptances even of respectable houses are treated as little better than blank paper. The lists of failures received to-day and yesterday are so long and so indiscriminate that it is useless to publish them. From the first it has been known that the consequences of the

American convulsion would fall with far greater severity on Hamburg than on any other place, but the signs now presented show that, conjointly with the inflated trade to New York, a general speculative business in all kinds of imports must have been carried on to an unprecedented extent, and especially in connexion with Sweden and Norway. In the midst of this utter confusion the currency of Hamburg is sound, because, happily, it consists of specie. The break-up of individual credit is not aggravated by any doubts as to the intrinsic value of the circulating medium. The scarcity of that circulating medium as compared with the amount of the liabilities which persons have promised to redeem with it, is the inconvenience from which the indebted portion of the community are suffering, but for that there is no remedy. If they have promised to pay in silver, and have not got the silver, all the currency doctors in the world could not teach them how to escape the acknowledgement that they are unable to meet their obligations. They might make a raid upon a neighbouring State to get a supply, or resolve to mix a certain percentage of spurious coins along with the genuine, but there is no other expedient open, unless they have got goods which will sell in foreign markets on sufficient terms to bring in the required relief. Meanwhile those who are lucky enough to hold silver, after being compelled for many years past to pay inflated prices for flour, coffee, sugar, &c., can now get double the quantity of these articles they would otherwise have been able to obtain. The writers of the Birmingham school would doubtless think the position of the people of Hamburg might be much better at this moment if, instead of their currency consisting of silver, it were composed of promises to pay in silver without any silver at the back of them; but the classes to whom this currency belongs, as well as those who are entitled to have their contracts fulfilled, will consider the simple metal good enough. If the circulation had consisted of credit paper, all that could have been done would have been to issue more

credit paper, and to force every claimant to take it as if it had been silver. Measures of this kind are still in the power of the Senate, if they think fit to adopt them ; and therefore the existence of a metallic currency in no way cripples their modes of action. If they like to declare that, instead of demanding specie, every man who is entitled to receive it immediately shall be content with a promise that it shall be handed to him at some more convenient time, the lawgivers can of course do so in the exercise of their sovereign functions. Up to the present moment they have pursued a more honest course. They have not kept to the rigid plan of abstaining from all interference—such a decision could never have been looked for on the Continent, whatever might have been hoped with regard to England ; but in adopting credit notes they have issued them as what they really are. They have not put them forth as the equivalent of specie, but merely as promissory notes bearing a sufficient rate of interest to induce persons to take them voluntarily. This issue they have limited to about £1,000,000, but they can increase it to any extent they please. If, therefore, the Hamburg traders still suffer, it cannot be from the want of paper circulation. The Senate must certainly be deemed the best judges as to the point to which such advances can be safely carried. It is the want of credit—the want of a belief, in fact, that those who may make promises to pay will ever be in a condition to fulfil them, that is the irremediable evil. The Senate have no choice but to sacrifice the interests of the public by assuming the liabilities of the houses they thus distrust, or to allow the consequences of the collapse, which must fall somewhere, to fall upon those by whom, either through reckless speculation or misplaced confidence, it has been occasioned.

XXIII.

The following letter relates to the law of unlimited liability which is now applied to the trade of banking, and to no other trade whatever, although the natural principles that regulate one regulate all, and it can make no difference whether men are trusted with money or money's worth. The writer points out not only that all our colonial banks enjoy limited liability, but that the same is the case with the Bank of England, the Bank of Ireland, the Bank of Scotland, and other similar establishments against which a breath of distrust has never been directed. It is true that in the case of the colonial banks Government have so far meddled as to insist, with a view to protection, that the shareholders shall be responsible to twice the amount of their subscriptions, but this is an exceptional absurdity which could never bear the test of general discussion. How can Government guarantee that double the amount of the original subscription will secure the public from loss; and if they cannot make the matter certain, why should they undertake the responsibility of interfering with it at all? The simple thing contended for is the principle of freedom of contract. It is the business of the Legislature to establish laws that shall compel men to fulfil such engagements as they may enter into, but to leave them to their own discretion as to the nature of those engagements. If Smith, believing Brown to be an honest man, wishes to trust Brown with his money, on a mutual understanding that Brown will not pledge his private fortune for its safe custody, it is just as irrational for the Government to step in to prohibit such an arrangement, as it would be for them to interfere against any other manifestation of confidence that Smith might deem expedient. Why not also prohibit him from making foolish loans, from buying Mexican or Spanish bonds, and, in fact, from doing anything with his cash except under the exercise of paternal care? Any one would suppose, from the argu-

ments of those who advocate the continental system of State control, that if the people were allowed the freedom of entering into contracts of limited liability, they would have no power of avoiding such contracts if they did not like them. But the enjoyment of the liberty to trust a limited bank, if they choose to do so, would not prevent them from insisting upon unlimited liability if they preferred it, or upon any modified form of liability they might deem better. If the field were left clear, the unfettered sagacity of the public would soon lead them to the safest course. Those who deserved confidence would get it, and although any body of persons that might like to bid for banking business, by recklessly holding out the temptation of their unlimited liability, would still have the power to do so, it is probable the community would in many instances select to deal with concerns managed and owned exclusively by persons who would enter into no such speculative commitment, and who, knowing that they could get credit only by the nature of their transactions, would simply stake a certain sum, together with their character and experience, as a security that they would act for the benefit of all to the best of their ability. In some cases the unlimited guarantee of the directors and manager might be deemed an advantage, in others a liability on the part of the shareholders to double or treble the amount of the paid-up capital; but, whatever might be the plans that would prove most efficacious in inspiring confidence, they ought to be left free in each instance for the public choice, and not to be put upon us as Parliamentary leading-strings:—

“Dec. 1.

“Sir,—I am glad to see in your City article of to-day the reference to the principle of unlimited liability in joint-stock banks.

“It has always astonished me to see how the British mind refuses to perceive actual facts in preference to speculative arguments.

“All, I believe, of our colonial banks are limited as to the liability of their shareholders. An Englishman is much the same being in Sydney and Toronto as he is in London. We might reasonably suppose, then, that what succeeds

in this respect out in those places would not fail in England, even had it never been attempted. But, unless I mistake, the Bank of England, the Bank of Ireland, the Bank of Scotland, the Royal Bank of Scotland, and the British Linen Company are chartered—that is, limited banks, and they are certainly not the weakest in the kingdom. But these banks being limited, have relatively to their liabilities large paid-up capitals, and pay comparatively small dividends. A large (uncalled-up) capital in your shareholders' pockets is a good thing: in your own pocket I think it a better.

“The single instance of the Royal British Bank would prove that the unlimited principle deters rich men from joining joint-stock banks as shareholders, and when any have so joined, sends them and their property away just when the creditors want them.

“I am, Sir, yours obediently,
“S.”

XXIV.

The public are astounded at the commercial disclosures on every side. Even those most conversant for years past with all the great operations of business had no idea of the degree of corruption that at each turn was defeating the efforts of the honest trader. The question is, have they yet any adequate conception of the extent to which the system has been carried? Persons are disposed to comfort themselves by the conclusion that every case of delinquency appears in print and makes a great stir, while the multitude of ordinary transactions are carried on with regularity day after day and excite no notice. There could not be a greater delusion. On all hands there is a combination to palliate and hush up the practices that have been prevalent, and no more difficult or dangerous duty could be undertaken than that of endeavouring to defeat it. Even if any class of observers happen to be aware of organized schemes of deception, or of the most objectionable and suspicious features in the management of companies or firms, they can do little to

settlement acquired from the funds of that establishment. From the first, the other directors have never even been threatened with prosecution. It is true the daily journals are now filled with developments of cases of sequestration or bankruptcy, or of the winding-up of fraudulent concerns; but these are all exceptional, and any one reading the proceedings will see that they merely relate to a few stragglers that have been caught out of a whole army of marauders. Every word uttered in the various examinations serves to show how the individual insolvent was but one of a constantly extending circle—how he was terrified into lending more money or granting further acceptances by creditors who threatened to fail and expose him, and how he in turn got more from some one else—in most cases the manager of a joint-stock bank—by pursuing a similar course. In one case now pending at Glasgow a house is shown to have had seventy-five real or fictitious correspondents, all insolvent like itself, upon whom it had drawn to the amount of £380,000, the whole finally centering in the Western Bank. Is this a solitary specimen? Are there not hundreds of analogous but more adroit cases that might be developed on every side—often, apparently, without much difficulty, if any judgment may be formed from the leading figures lately presented in some of the London balance-sheets; and as soon as the present crisis is over, will not all these persons again go to work? In the present state of the law there is nothing to obstruct and everything to encourage them.

The belief is that, notwithstanding the recent wrecks and the lateness of the period to which the “relief” granted by the suspension of the Bank Charter Act was deferred, the accommodation paper still in circulation in London and throughout the kingdom would present a total such as few persons not accustomed to reflect on such matters would be prepared to expect. The remedy, of course, would be to punish the drawers and acceptors for conspiracy to defraud. Every bill of exchange purports to have been for “value received.” If two men con-

spire to manufacture such a document and to pass it as genuine into the hands of a third, nothing can be more obvious than the nature of the transaction. But Parliament perhaps would rather pass a whole session in discussing whether they could devise some new measures to interfere with the natural course of enterprise, and direct it into such channels as might be fashionable with them for the moment, than descend to so small a matter as this simple application of the criminal law.

XXV.

A week ago an estimate was made in Parliament that the liabilities of the houses which have failed during the recent crisis make an aggregate of £45,000,000 sterling—this being at least double the total reached in 1847. It may be doubted if the figures for 1847 would not be found to have amounted to more than $22\frac{1}{2}$ millions, but there can be no question that on the present occasion their magnitude is much beyond anything attained at any previous period. Subjoined is a list of the principal suspensions announced in London since the beginning of October, when the pressure first decidedly commenced. Only a rough conjecture can be formed as to the total they represent, since in many instances the balance-sheets remain yet to be produced, but fifteen or sixteen millions may be taken as the lowest sum. The failures in the provinces, of course, cannot be estimated with an approach to precision, but, as the debts of five banks alone amount to about twenty-three millions (the Western of Scotland £8,911,932, the Northumberland and Durham about £3,000,000, the Liverpool Borough about £4,000,000, the Wolverhampton and Staffordshire, £1,000,000, and the City of Glasgow, £6,000,000), it is evident that thirty-five millions would be a very moderate computation for

this part of the question. The grand estimate is thus raised to £50,000,000, and with this before them, Parliament and the public are bound to use every effort to probe the causes of the evil. With the constant extension of activity peculiar to all commercial countries, it is plain that if the same causes continue to operate, the new revulsion which will be due in 1867 will as much exceed that of the present year as this exceeds what was witnessed in 1847. At the same time the fact must be recognized that, according to the opinion of Parliament, the elements of mischief actually in operation are but faintly represented even in the totals now given. The doctrine is, that by the prohibitions and precautions enforced by the Legislature to prevent the mercantile classes from exercising in banking affairs their own independent judgment, an immense amount of disaster is averted. Indeed, upon no other plea could the French system be tolerated for a moment in any branch of business in England. If under this paternal care we have suffered to the extent of fifty millions, what must be the opinion of those who uphold that system as to the total that would have been exhibited, if our traders, instead of being taught to rely upon Government vigilance, had been left to the free exercise of their own? It must be such as would far transcend all ordinary conceptions. The discredit to their sagacity, therefore, will be proportionably great if our legislators are unable clearly to trace and expose the baleful influences that have been at work. Out of doors a few persons venture to ask whether the vaunted remedy may not, in fact, constitute the root of the disease, and if it would be very rash, after having witnessed throughout the present generation the things that take place under the Parliamentary guidance of banking business, to try the experiment of leaving it to its natural course. In that case, however, their functions as regards the concerns of trade would be limited to the simple duty of providing inexpensive means by which, while men were left to make such mutual contracts as they might deem best, every one attempting

to falsify or break such contracts might be dealt with according to his deserts. It is much more pleasant to fancy it possible to "control" or "regulate" trade. Any man who can persuade himself, especially in a country like Great Britain, that he is called to take part in such an operation must be conscious of immense self-importance, and, as a general rule, neither Ministers, members of Parliament, nor any other of the existing race of human beings, are prone to surrender the delusion of imaginary power:—

Ross, Mitchell, and Co.	£396,282
W. H. Brand and Co.	235,524
John Haly and Co.	47,509
A. Hill	61,268
Powles, Brothers, and Co.	50,000
Dennistoun and Co.	2,143,701
Bennoch, Twentymen, and Rigg	257,694
Broadwood and Barclay	212,020
Joseph Foot and Sons	27,640
*Sanderson, Sandeman, and Co.	5,298,997
Wilson, Morgan, and Co.	25,629
Fitch and Skeet	55,000
Draper, Pietroni, and Co.	99,550
Jellicoe and Wix	not stated
José P. de Sà and Co.	15,230
Bardgett and Picard	85,142
Hoare, Buxton, and Co.	466,601
Edwards and Matthie, about	350,000
E. Sieveking and Son, about	400,000
Allen, Smith, and Co.	20,306
Svensden and Johnson	not stated
Gorrissen, Hüffel, and Co.	125,310
Brocklesby and Wessels	40,486
R. Bainbridge and Co.	not stated
Herman Sillem, Son, and Co.	93,047
Carr, Josling, and Co., about	300,000
A. Hintz and Co.	101,439

* Most of the creditors on this estate held security in the shape of bills of exchange, which are rapidly running off. Hence the extent of the failure is more apparent than real.

Rehder and Boldemann, about	100,000
Henry Hoffman and Co., about	100,000
Herman Cox and Co., about	60,000
Bischoff, Beer, and Co., about	30,000
Mendes Da Costa and Co.	£231,673
Kieser and Co., about	50,000
Barber, Rosenauer, and Co.	32,488
Hirsch, Strother, and Co.	47,335
F. and A. Bovet	not stated
C. A. Jonas and Co., about.....	100,000
Sewell's and Neck, about.....	500,000
Albert Pelly and Co., about	170,000
Krell and Cohn	not stated
Thomas Melladew	26,159
W. Caudery	30,000
W. B. Filler	140,000
Hadland and Co., about	40,000
Lichtenstein and Co., about	80,000
J. H. Baird and Co.	21,258
Heine, Semon, and Co., about	700,000
Weinholt, Wehner, and Co., about	300,000
T. H. Elmenhorst and Co.	not stated
Montoya, Saenz, and Co.....	not stated
T. G. Ward	not stated
H. and M. Toldorph and Co.	not stated
Rew, Prescott, and Co.	150,000
R. Willey and Co.	50,000
G. H. T. Hicks	151,900
Powell and Son	60,000
William Dray and Co.	60,000

XXVI.

An estimate has been given of the debts of the establishments broken down during the recent crisis. The total was £50,000,000. The public, however, must not fall into the idea that this figure represents the losses of the period. Those which the country has sustained must be measured in a different

and far more serious manner. People are apt to plead as an apology for the suspension of the Bank Charter Act that it lessened the number of stoppages that would otherwise have taken place, and to that extent saved the community from "loss." This, indeed, was the grand Ministerial point. If the failures which are now £50,000,000 would have been £70,000,000 but for the suspension of the Bank Act, how grateful should the nation be to those who for such an object did not hesitate even to violate the statute law! But the fact is that if the aggregate had reached £100,000,000 the nation would not have been a single pound poorer. When a firm suspends, it must either have sufficient or insufficient assets to pay its creditors. Such assets must consist of merchandise or other tangible property, or of claims upon solvent houses, and the value of these will be neither lessened nor increased by the fact of the possessor of them postponing payment of his own debts. When Messrs. De Wolf and Co., or Messrs. Barber, Rosenauer, and Co. stop, with only 2s. in the pound for their creditors, it is not their failure that makes the loss. Persons who hold their bills find themselves to that extent poorer than they thought they were, but the worth of the bills is intrinsically as great as it was before the discovery. It is only an imaginary value that has been destroyed. Such loss as has arisen was inflicted on the nation long ago, and nothing can recover it. No advance to these parties by the Bank of England or any other banks could alter the result. It might enable them to maintain the fictitious value of their paper, and ultimately to throw the consequences upon some other set of holders, but the commercial community, meanwhile, would merely enjoy a fool's paradise.

Let it be clearly understood that when a solvent firm stops, it must simply be because their property is for the moment unavailable, and that, so far from the event involving loss even to themselves, it must have the effect of giving them time to effect realizations, instead of forcing sales upon any terms; and that,

on the other hand, if a firm be insolvent, the proclamation of its insolvency cannot cause property to disappear which has no existence. Cases may arise where it is very desirable assistance should be afforded, but it is for the sound part of the commercial community and the leading banking institutions to meet them. If a certain mill is working at so great a profit that it would be grievous to let it stop on account of the temporary embarrassment of its owner, or if a house can show such securities, and be willing to pay such a rate for loans upon them as should tempt capitalists to come forward, every one would be glad to see such arrangements. If they do not take place, it is evident the profits of the mill, or the rates offered for the required loans, were not commensurate to the fair value of money at the time. The supporters of the Bank Charter Act are called "usurers," and denounced as men who would seek their own profits out of the misfortunes of others. They have doubtless, therefore, a keen eye for a bargain the moment it is really to be had. When the State is called upon to assist men whom neither bankers, bill-brokers, nor private capitalists will assist, the public may safely conclude that it is not any patriotic desire to avoid the sin of usury—that is to say, the sin of taking the best market price for the commodity they deal in—that causes these gentlemen to hold back, in order that the Government may come in.

The actual losses sustained by the nation have been going on for the last five or six years, and it is only now that we have found them out. Although failures to the amount of £50,000,000 have occurred since October, we are just as rich as we were at that period. About six months back *The Times* entered into the question of the perplexing character of the Board of Trade returns. Month after month they showed an increase in our commerce, but although there had been no foreign loans or wild speculation in distant public works, our stock of bullion presented a steady diminution. It was evident that a foreign trade which had been increasing enormously for some years should

have resulted in great gains, and that these gains, if there was no apparent way in which they had been sent out of the country, should have shown themselves in a constant increase of our supply of specie. It was asked, Can it be possible that this extraordinary trade has not yielded any profit, and that our prosperity is merely delusive? But the rejoinder was unavoidable—"Is it likely that people would have carried it on if they had not found it answer?" It seemed impossible, therefore, to solve the riddle. Some persons thought that large investments of our capital had, perhaps, been made in France, owing to the low prices to which rentes and railroad obligations had receded after the speculative mania in that country; but those best informed declared that the movement had been rather the other way. The matter, therefore, was given up in despair. Now, the whole is plain. Monstrous as it appeared to entertain the supposition that for a long consecutive period the export trade of the country had been carried on at a loss, this is the sole and all-sufficient explanation of everything that has happened.

The Western Bank of Scotland has alone lost £2,000,000 by advances to swindling shippers, who, for the sake of commanding the market and rendering it impossible for any honest competitors to hold their ground, have gone on making consignments without any prospect of receiving adequate returns, the resulting deficiency being made up for the time by a proportionate increase in the manufacture of worthless paper, which the banks and other holders continued to regard as "property" until the storm came which showed its real character. Before even £2,000,000 could have been lost, what must have been the amount of trade carried on? Supposing even every bale of goods sent hence by these firms to have cost £100, and to have realized only £90, the declared value of such shipments must have amounted to £20,000,000 sterling to result in such a deficiency. Look at the similar operations fostered by the Liverpool Borough Bank, the Northumberland and Durham,

and several other establishments, and the nature of the enormous increase in our Board of Trade totals, which we have all been accustomed to look at with pride, will forthwith become transparent. Of course the money was not entirely got rid of in this way. Large sums were made away with in personal dissipation, and occasionally, doubtless, marriage settlements were also provided. Those who live, however, upon what they do not earn, impoverish the country precisely to the extent so expended.

Meanwhile the giant drain has been caused by the rise in prices of all foreign produce. Not only has the over-production which has been stimulated throughout all the manufacturing districts led to an unhealthy rise of wages and an undue consumption of imported articles, but the speculations of the insolvent shippers, who have ordered their agents to buy up silk, cotton, sugar, coffee, and all other commodities at any price, in order to make their returns, have caused the English consumer for years past to pay 10, 20, or 30 per cent. for the necessaries of life beyond what would otherwise have been the case. The Brazilian coffee-grower, the Chinese silk-cultivator, the American cotton-planter, &c., have all been driving a grand business at our expense, and thus, year by year, notwithstanding the toil and economy of the really honest and industrious classes among us, we have seen ourselves get poorer and our specie resources gradually diminish. The truth came upon us in October last like a thunderclap. We had no idea but that we were full of property, but we then found that our fancied property, instead of consisting of merchandise, gold, or good foreign debts, consisted of nothing but accommodation bills figuring in bank assets for their nominal amount, and in some instances not worth the stamp on which they were placed. No suspension of the Bank Charter Act or issues of promissory notes, supported by nothing, could bring back one farthing of what has thus been squandered. All that such measures can ever effect, besides giving encouragement to speculators and bill-discounters to resume as soon as

possible their old career, is to mitigate for the moment the fall in imported articles, so as to give the foreign producer still an unnatural advantage, and prevent such of our people as have long been impoverished by the prevalence of artificial prices from getting as promptly as possible the full advantage of a return to a natural state.

XXVII.

Trading by fictitious or doubtful bills having been the cause of all our recent commercial trouble, and the fact being proved that these bills are called into existence by the demand of the joint-stock banks for some mode of employing the enormous deposits which by offering the security of the unlimited liability of their shareholders they attract from all quarters, it is easy to see that the question whether we are to have in a few years a repetition of the evil depends entirely on the continuance of the existing law. The repute of the Western of Scotland, the Liverpool Borough, and the Northumberland and Durham District Banks had been doubtful for years, and every one knows that if their credit had simply depended on the character of their management or the amount of their paid-up capital, they would neither have been able to entice deposits nor to obtain re-discounts from the London money-lenders. The facts that creditors for an aggregate amount of £16,000,000 sterling are now kept out of their claims; that about 2000 shareholders are ruined or impoverished; that honest traders have for the past seven or eight years been driven from the market; and that the commerce of the country has, to a great extent, been placed under the command of organized gangs of swindlers, must therefore be charged to the system which compulsorily invests such concerns with the power they possess. What is the set-off on the other side?

Simply an assurance that every creditor who trusts them without the exercise of the slightest caution, including all the depositors greedy for high rates of interest, and who ought to know that such rates can be obtained only by the most perilous practices, shall receive the last farthing that is due to them so long as a single shareholder remains to be hunted down. This protection, moreover, is absolutely nothing but a protection against a portion of the self-created evils of the law itself. But for that law the parties in question would take care of themselves, and would not want any protection. Hence the result of the system simply is that it leads two sets of persons, the shareholders and the creditors, into tremendous danger, and when the inquiry is made—"What can justify or recommend it?" the answer is that, although it ruins one of these sets of persons, it usually, to an extent more or less imperfect, saves the other—that is to say, it does not profess to do any good, but can boast that it corrects a small portion of the mischief which it generates. If there are any other arguments in its favour the public are yet to be informed of them.

The plea that persons "ought" to be liable to the full extent of their property for the fulfilment of all their engagements is used for a mere juggle. No one denies that the liability of a man to carry out any engagement into which he has entered should be unlimited. All that is demanded is that he should be deemed the best judge of the nature of the engagements into which it is desirable to enter. If the shareholders of banks were not compelled to engage their unlimited liability, no such engagement would ever be made. Since the law passed, allowing freedom in this respect in every other business save that of banking, it is believed not a single unlimited company has been formed, and that almost every previously existing company has been anxious to come under the new provision. The consequence has been that, in the midst of all that has lately been witnessed, there have been none but trifling disasters among such concerns.

The fraudulent ones have found themselves unable to get credit, and have been obliged to wind up as soon as their working capital began to disappear, and the others have pursued their steady course.

Of all pretences, however, the most common and fallacious is the old one, that the creditor should be protected against the shareholder, because it is always in the power of the latter to control his directors. This was the grand point in the last debate on the subject in the House of Commons. But that we knew how men will repeat by rote any established phrase in defiance of all experience, it would be astounding that it could be uttered. Was there a single individual that either used or heard this assertion who could affect to be ignorant of the almost total impossibility of an ordinary shareholder in any company exercising the slightest voice in its affairs? Had they ever attended a meeting of the Great Western or the Great Northern Railway, or of any other undertaking, large or small, where the directors had determined upon having everything their own way? Have the practices of Mr. Hudson been forgotten in bringing down animosity or derision upon every one who attempted to ask him any inconvenient questions; and, to adopt a later example, what would have been the fate of any modest but practical and upright man of business who might have ventured at any meetings of the Western Bank of Scotland to suggest a doubt whether everything was perfectly flourishing? He would have been marked for reprobation, not only by the directors of the bank, but by all the lords, landowners, and "merchant princes" of the country. To tell the old clergyman, or doctor, or widow, or governess, who may be left destitute by the operation of the existing system, that they might have protected themselves by exercising due supervision, is therefore nothing but heartless mockery. You may blame them for having had anything to do with such concerns; but in that case they may retort that as the State departs from its legitimate

functions expressly to grant privileges, and to frame the conditions on which these establishments should be based, it must be absurd to assert that they ought not to be allowed to exist at all; which would be the practical inference if they are to be regarded as unfit or improper for any prudent persons to subscribe to. The State makes these banks what they are, and then taunts the victims for their folly.

The sharp creditor who has the opportunity of knowing thoroughly the nature of every transaction into which he enters, enjoying the paternal care of his Government, and the poor country shareholder tempted out of his money and without a shadow of power to help himself, undergoing the rebuke of that Government, would make an amusing picture, were it not that it would illustrate at a glance the whole history that will sadden the Christmas of 1857 in a multitude of English homes.

ON
THE EFFECT
OF THE
GOLD DISCOVERIES.



XXVIII.

The considerations which, three years ago, were almost derided as to the probable effects of the increased supply of gold, are now [1852] assuming a preponderance over all other subjects. The anxious pause of curiosity is latent, but it is nevertheless felt by every one, and it is easy to understand why it has not hitherto been more decidedly expressed. The landowners do not care to avow the full extent of their hopes, and to stimulate a cry from the annuitant class for preventive meddling. That class, on the other hand, together with the much larger body who dislike everything that upsets routine and necessitates thought, endeavour to persuade themselves into indifference. Their original disbelief having been forcibly overcome, they seek new refuge in the conclusion that fresh uses for the precious metals will prevent any alteration of value. The remaining class, consisting of ordinary men of business, who are not affected by the bias of either the landlords or the annuitants, hesitate to discuss a subject which they have no time to work out, and on which, nevertheless, they are expected to be perfectly clear. Under these circumstances, although it may involve a repetition of former statements, it will be useful to review once more the general bearings of the whole question.

To arrive at an exact solution it would be necessary to ascertain the amount of gold and silver in the world, and the present annual consumption for coinage and the arts. This is impossible, and conjectural quantities must consequently be taken. The total of coin has been guessed at £400,000,000. Of this £150,000,000 may be assumed to be gold, and £250,000,000 silver. The annual consumption of gold is believed to be under £6,000,000.

Starting with these figures, if the demand for gold were likely to continue limited to its ordinary amount, an estimate of the

effect of the supplies now pouring upon us could easily be formed. These supplies, within the few years since the discovery of California, have probably, in the aggregate, left us an excess of £30,000,000 over what has hitherto been found sufficient for current wants, and to maintain an equilibrium in the general relations of property. The increase, therefore, has been equal to 20 per cent. on the whole sum in existence; in other words, the measure of value would appear to have been extended one-fifth (just as if a 25-inch measure were extended to 30 inches), and hence the effect to be looked for is obvious. Where gold is the standard, the price of every article adjusts itself to the relation it bears to that metal. If sovereigns were twice as numerous, a man would demand two where he now takes one. An increase of 20 per cent. in the supply should, therefore, have been followed by a proportionate advance in the nominal value of all things.

But signs are wanting of any such general advance. It is necessary, therefore, to enquire—first, whether any absolute test is available by which the change can be shown to have taken place in some one instance, although it may have been counteracted in others; and next, if this be impossible, whether the apparent anomaly can be explained on different grounds.

The most direct test would be sought in the price of silver, that article, next to gold, having hitherto been the least liable to variation. But it was long ago pointed out that in those countries where gold and silver constituted equally a legal tender, one metal, as it became more abundant, would displace the other, and that the surplus of gold would thus be reduced, and a large amount of disengaged silver be thrown upon the bullion market in its stead. Previously to the Californian discoveries, silver was the circulating medium both in France and the United States, because since the period when the double standard was fixed in those countries, it had increased rather more rapidly than gold; and all persons having payments to make, selected it, therefore, as the best medium. Its relative cheapness in France, however,

as compared with gold, was less than 2 per cent., while in America it was merely fractional. When the Californian supplies came forward, the difference soon disappeared, and silver would have become relatively much the dearer, but for the displacement which then, of course, occurred. When 100 francs in gold, instead of being worth 102 francs in silver, fell in value to a fraction below 100 francs in the latter metal, it became forthwith more profitable to make payments in gold, and to sell silver at the market price, for exportation. In this way a large infusion of gold took place in France, while in the United States it absolutely became the most common circulating medium. Thus, the effect of the new supplies of gold has not been limited to that metal, but has been diffused over gold and silver, and hence, instead of being equal to 20 per cent., which would have been the case if the £150,000,000 of gold had alone been in question, it has been only $7\frac{1}{2}$ per cent. from being spread over the entire £400,000,000 of gold and silver.

By a recognition of this fact, all surprise at the absence of any very striking disturbances up to the present time is removed. There is quite enough to warrant the assumption that an influence, operating on one side to the extent of $7\frac{1}{2}$ per cent. has been partially rendered imperceptible by the force of circumstances in an opposite direction. In the first place, there have been the effects of increased production from free trade and free navigation, the latter of which, combined with railroads, has caused a large amount of goods that would otherwise have been in store or *in transitu* to find its way to market. Next, it is impossible to estimate what may have been the extent of hoarding in Germany and Italy; and lastly, there remains to be taken into account the uniform tendency to a fall in prices, consequent upon the march of invention and the simplification of labour.

We have now, however, to consider the future. So long as there is any silver to be supplanted in countries where, owing to the existence of a double standard, it is optional for the debtor

to pay either in gold or in silver, the effects of the increased production will continue to be extended to both metals; and consequently, if the surplus of gold this year should be, as has been estimated, £25,000,000, its influence upon prices could be but 6 or 7 per cent. But the period must rapidly approach when the displacement of silver will have ended, and when the changes brought about will be upon gold alone. In France the existing amount of silver is still, doubtless, very large; but this is not the case in the United States, and the proposed law by which the coins below a dollar are to be deteriorated 6·91 per cent. will prevent for the present any action upon that portion of the stock. In Germany the debased state of the silver coinage will likewise for a long time preserve it from displacement. In Holland silver has been already established as the standard, and cannot therefore be driven out. With regard to Eastern nations, it is difficult to form any estimate. On the whole, however, we may infer the possibility of the displacement process still occupying three or four years, and that during that time, therefore, the effects to be produced, will be spread, as they have thus far been, over both metals.

At the end of that period, the consequences will be felt by gold alone, and the relations of property measured by a gold standard will proportionably exhibit a more rapid disturbance. At the same time it must not be overlooked, that the increase of gold each year will have meanwhile diminished the percentage of alteration which would otherwise take place. For instance, the total amount of gold in the world, which is now assumed at £150,000,000, would then possibly be £250,000,000 and a production which, operating upon the first sum, would cause a rise in prices of 10 per cent., would under those circumstances, cause only an additional rise of 6 per cent. This is a feature of great importance in the whole question, because it will constantly tend to counteract that increasing ratio of disturbance which might be anticipated if the supply of each suc-

ceeding year should prove larger and larger. It is likewise to be borne in mind that, with a diminution in the purchasing power of gold, there will be a proportionate diminution in the inducement to seek it. If the quantity of gold were doubled to-morrow, a man who is at present content to work for one ounce a week would then not be satisfied with less than two ounces.

In the face, however, of these qualifying circumstances, and of the uncertainty of all the assumed totals that have been dealt with, it will be plain to most persons that there is enough to suggest some very decided ideas as to the main results that are coming on. A mistake of a hundred millions in the figures, one way or the other, would only make a difference of three or four years (where the annual supply is at the rate of £30,000,000) in the date of fulfilment. Even if we were to take the whole £400,000,000 of assumed money as liable to be acted upon, it would require little more than fifteen years of the existing production to cause an alteration in the relations of property of 50 per cent.

But it is urged that the extraordinary impulse given to trade and luxury by these discoveries, and the greater prosperity of the whole world, will cause an increased demand for coin for circulation, and a vast consumption both of gold and silver in manufactures and the arts. It is difficult to see how these conclusions are arrived at. In California and Oregon, new communities have risen up, numbering two or three hundred thousand souls, among whom commerce has shown an activity never before witnessed, and yet a few millions of bullion have sufficed to establish an abundant circulation, although all the means of economising it which are usual in older States have yet to be introduced. We have here, therefore, a specimen of the limited demand that would be created even by the founding of the mightiest societies, while as regards more settled countries, it is certainly a mistake to suppose that the requirements for coin increase with the growth of commercial intelligence. Where a

German peasant would hoard a few dollars, an Englishman would put the like amount into a Savings' Bank; and in the same manner even our pettiest tradesmen, instead of keeping money in a safe, resort now universally to some establishment that affords them the conveniences of a drawing account. Cheques, bills of exchange, postage stamps, clearing houses, circular notes, money orders, railroad and steam-boat season tickets—all show the rapid tendency of civilization to supersede the necessity of a constant barter of the precious metals; and it may even be questioned whether, with the growth of morality and of detective skill, the danger of forgery, which was the sole objection to notes below £5, has not also disappeared. As regards an increased consumption in the arts, owing to an abundant supply, the very form of the supposition assumes a large alteration in value to have previously taken place. A reduction of 5 or 10 per cent. in such things as gold and silver, would make little difference in the number of purchasers of wrought articles, in which, after all, the manipulation constitutes one of the chief elements of expense. It is, moreover, against all experience to suppose that a large demand would be coincident with a falling market. With a possibility of gold and silver steadily declining in value, people would be much more likely to diminish than to increase their purchases. This ground of calculation seems, therefore, to have no better foundation than the other. Any increase of consumption that may possibly take place, is consequently likely to be altogether of an unimportant kind as regards the great question at issue; and even if anything of the sort should be observable, it will probably be more owing to electro-plating than anything else—an invention which it was at first thought would lessen the demand, but which has increased it, by superseding all inferior materials.

We arrive, therefore, at the unaltered conclusion, that the Californian and Australian discoveries, even at their present rate of yield, will produce effects of a momentous character,

which nothing is likely in any material manner to counteract. What may be witnessed if further experience at Port Phillip and Queen Charlotte's Island should realize the extraordinary contingencies that seem to be indicated, and if the supply of silver should simultaneously increase to the extent that some persons anticipate, is a problem upon which each enquirer will form his own opinion.

It still remains to point out that simultaneously with these changes the increase of production in articles of food, clothing, and luxury, which has been strikingly manifested as a consequence of free trade, will steadily continue, and will thus most probably prevent many of those articles from rising in price—that is to say, although a man ten years hence might have to pay two sovereigns for some few articles, the production of which had remained stationary, where he would now pay only one, he might possibly be able to get as much flour, or coffee, or calico for his one sovereign as he gets at this moment. If this be the case, it will be said the position of the annuitant will be unchanged. But there is something to be added. Although the income of the annuitant might obtain for him all that he now gets, and his position will be actually as good as ever, it will not be so by comparison. His income will have stood still while all others have been increasing, and, although the greater supply of articles of general consumption will enable him to live as well as he formerly did, society at large will have advanced to a much more extensive expenditure. A cottager's wife of the present day, for instance, in consequence of the improvement in manufactures, wears clothing which a hundred years back could not have been obtained by persons of wealth; but her relative position in the social scale is precisely the same as formerly. If the wealthy lady of that time were now living, and could only get for her money what she got then, she would be in comparative poverty; and it will be seen, therefore, that it does not follow from the fact of an individual being able to enjoy

for the future all that he has hitherto obtained, that he may not practically fall from a good income to a narrow one.

With regard to minor points, little requires to be said. Some people are still found to ask whether the Bank is to go on giving the price of £3 17*s.* 9*d.* per ounce for gold; whereas all that the Bank gives when it issues a note, is an acknowledgement that a certain amount of gold has been deposited with it, which the bearer may have back whenever he likes to apply for it. Gold constitutes the general measure of price, and is therefore the only thing that has not a price of its own. It is simply receivable at the rate mentioned; that is to say, when one man talks of owing another £3 17*s.* 9*d.* he means that he owes him an ounce of gold. To speak literally of a money price of gold is just as if a person were to ask how much tea he must give for a pound of tea.

Others, again, inquire if the increase of supply will not affect the rate of interest for money, which is plainly an impossibility, since the £5 that may be paid for interest is just affected to the same proportionate extent as the £100 which is lent. If a man borrowed 100 loaves of bread, on condition of returning 105 loaves at the end of the year, he would not expect the rate of interest of five loaves to be affected in any degree by an increased production of bread. The same illustration, if it be applied to the question whether the price of the funds can be affected, will show that in that case also the gold discoveries can have no direct action. The recent rise in Consols is merely consequent upon a continuance of that absence of healthy enterprise which has been observable ever since the madness of 1847. Concurrently with the increase of capital caused by the active events of the last few years, there have been no fresh outlets for its employment, and the public therefore rush to Consols and Exchequer-bills, or other established securities.

As far as regards the general changes which these discoveries are to produce in the affairs of the world, it may be hoped few

will be found to question that, like everything which happens naturally—that is to say, independently of human contrivance—they can have no result but that of contributing to the march of civilization. In the first place their sole material effect is an increase of a product which, apart from any conventional value it may have had, is more beautiful, pure, and useful than any other. Inasmuch as we can turn gold to more account than sand, the world is so much the better off by finding that, mixed with what was thought to be all sand, there is a large amount of gold. To deplore the announcement of this fact is simply to deplore that another gift has been laid open to us. On the other hand, their consequences upon the movements of mankind are more palpably beneficial than those of any other physical event yet recorded. History shows the constant influences exercised to induce the race to spread over the earth, so as to avail themselves of all that it offers, instead of yielding to the selfish indolence that confines them to limited spots; and whether this is brought about by an escape from Egyptian bondage, by barbarian incursions, by the failure of crops, or by political persecutions, the beneficent end is no less plainly arrived at. The potato rot and the continental anarchy of 1848 have both caused a distribution of those who were unteachable in any different way, and who would otherwise have gone on from misery to misery, without making the smallest effort to seek a position where, instead of being a torment, they might be a benefit to their fellow men. The British people, although more adventurous, likewise require stimulants to drive them forth; but the disturbance necessary in their case is happily less severe, and a gold mania has been sufficient to accomplish that for which famine, war, or tyranny might otherwise have been permitted.

As to any individual inconvenience which the impending disturbance in the relations of property may cause, there has never yet been the smallest progress that has not upset some

quiet arrangements that people had hoped might be perpetual. Every breath blows down a leaf somewhere, but the world is not to remain stagnant. When the return to specie payments took place in 1819 there was great disturbance, but it was nothing more than the fulfilment of a direct bargain, and it was not for those who had taken the chance of that fulfilment to complain. The same doctrine must hold good at present. Moreover, those who now apprehend serious consequences to any particular description of property, can act upon their apprehensions if they see fit; and if they decline, they must not clamour against results they have deliberately chosen to wait for. Distrustful of all enterprise, they can continue to hold annuities, while those who prefer the opposite course may go with the stream, and find, in promoting the very movements that are in progress, abundant means for new investment. If each holder were to dispose of his property from time to time as he became apprehensive, individual losses would be so diffused that in the end they would be almost inappreciable, while, with regard to their future transactions, persons can make any bargains they please. It is true that those who depend upon property held in trust have less choice of action; but those who tied the property up without allowing any future exercise of discretion, acted upon their own judgement, not with any desire to benefit society, but to secure private advantages for their families, and society must not be called upon to remedy the mistake. A more cheering point of reflexion, however, for these parties should be, that in the majority of instances it will be in their power, instead of waiting to see their incomes diminish during a life of unhealthy idleness, to employ their faculties so as to wrest from the new order of things far more than it can take away.

XXIX.

When the gold discoveries were first announced, it was pointed out that whatever might be their extent they could constitute no addition to the wealth of the world, and that, although they would produce the grandest results, these would be confined to the impulse they would exercise in attracting mankind to the settlement of new regions, and to a disturbance of the relations of debtor and creditor, which, as far as concerned all fixed contracts, would prove extremely advantageous to the former. As the value of gold depends entirely on its scarcity, no addition to the quantity held will be attended by any corresponding addition to the worth of the total; that is to say, if the world possesses one hundred millions of gold today, and another hundred millions are discovered tomorrow, it will find itself no richer, because gold, in relation to other articles, having thus become twice as plentiful, two sovereigns will then be required to purchase the amount of goods that in the first instance might have been obtained for one sovereign. All expectation, therefore, of visible consequences in the shape of a great concentration of the precious metals in this country, or in the United States, or even in the various banks of the chief centres of commerce throughout the globe, were delusive. The relative stock held in each country was still destined to depend upon the balance of its other imports and exports, while the increased supplies would go on quietly diffusing themselves in every quarter according to the unalterable laws of trade. If, owing to the augmented quantity, a greater number of pieces of gold are now required in every transaction, the mode of absorption of that which has lately been produced is perfectly comprehensible; and, supposing the yield to become a thousand times greater than has yet been witnessed, the consequences will still be manifested in no other way than in a proportionately increased abundance of gold coin in the hands

of every individual. The amount held by the various banks of the world has never, perhaps, been equal to a twentieth part of that which is in circulation, and hence, although their stocks must increase in proportion to the commonness of the metal, the effect in their case is comparatively insignificant. Supposing an addition to the circulation of an amount calculated to affect the prices of all commodities to the extent of 25 per cent., all the increase that could positively be looked for in the aggregate held by the several banks would be about one-fourth.

The hoarding practised by the people of India and China must of course delay this diffusion ; but, so far from checking the activity and relative prosperity of the gold-finding nations, it must operate to perpetuate the ardour of the search just to the extent that it retards the depreciation of the article. It is the hoarder only who can suffer, since he is accumulating a substance which is daily diminishing in value. There is little reason, however, to suppose that this hoarding has withdrawn any amount calculated materially to interrupt the changes in progress. Even if twenty out of the hundred millions sterling produced in the last eight years have thus been buried or converted into ornaments, it can only have reduced by one-fifth the speed of the general movement.

Notwithstanding these conclusions, it will, perhaps, be denied that there are any signs of prices having as yet been influenced. This is a point on which each person must be allowed his own opinion, because no labour could collect the facts requisite to demonstrate the actual state of the case. While the gold discoveries are operating to produce dearness, all the discoveries of science are tending in an opposite direction. The agriculturist thus extracts from his land crops which a few years back would have been deemed incredible, and the Manchester spinner and Birmingham manufacturer are enabled to multiply goods at a cost regulated by little else than the wear and tear of machinery, while at the same time the extension of steam-navigation is facilitating

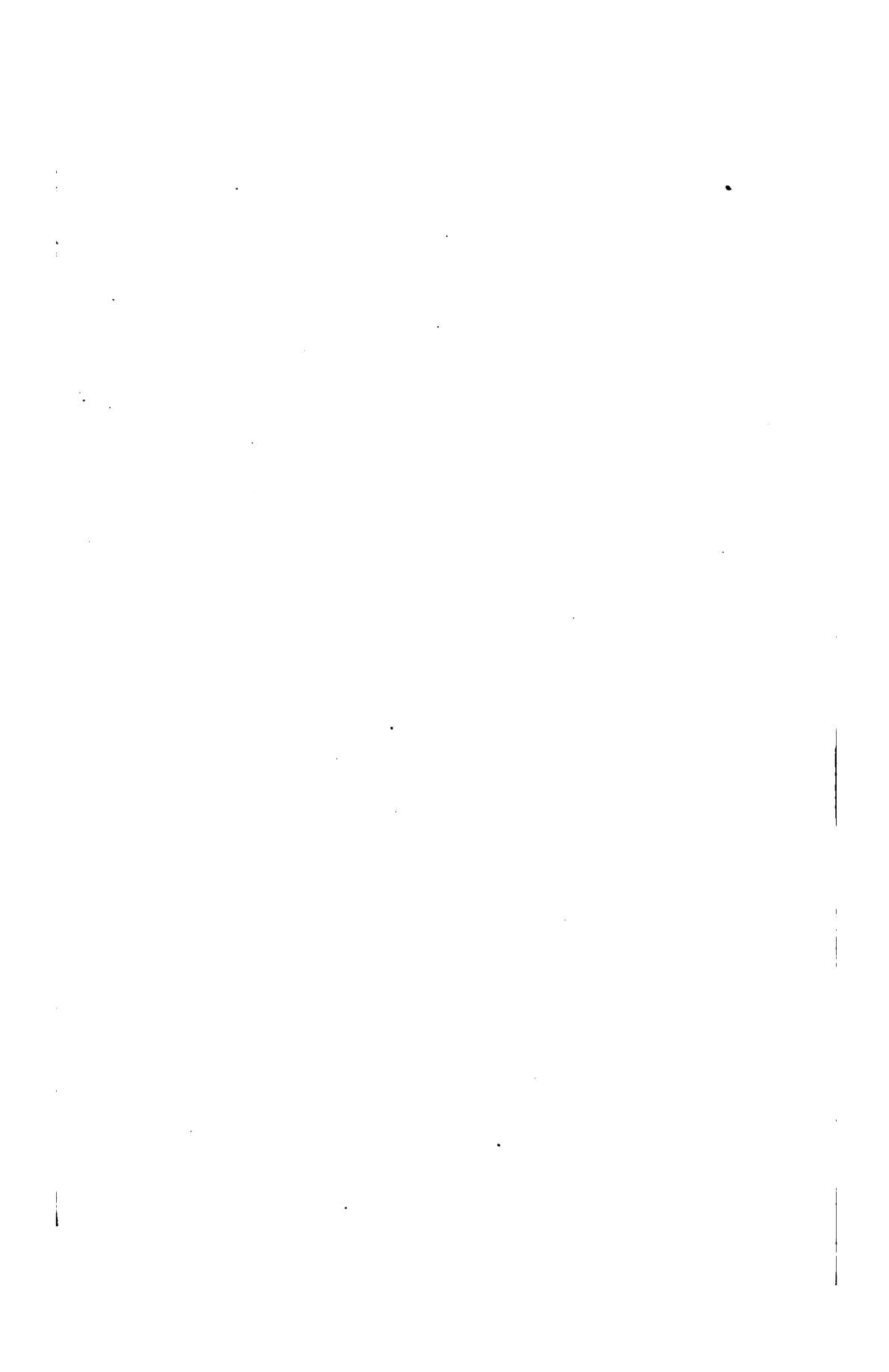
the acquisition of every kind of raw material. Because beef or bread, cotton and woollen goods, hardwares or trinkets, may be as cheap or cheaper than they were when California was unknown, we are not therefore to conclude that there has been no result. The probability is, as was long ago pointed out, that, even if the time should arrive for gold to be depreciated to a quarter of the value at which it stood in 1848, the possessor of a fixed income will find that he can still procure as many of these articles for his money as he could at that period. But his state will have been one of stagnation, and the results of all the advancement of society in comfort and luxury will be simply to leave him where he was, while the standard of living has been rapidly improving. A person with £500 a-year, if he could obtain now no more than was procurable for the same money half a century back, would be in a disagreeable position, and it is an effect of this kind that the holders of fixed incomes must henceforth be expected gradually to experience. Whether he can already trace its commencement in the augmented sums demanded for all kinds of labour, in the increased possession of gold among classes where it was formerly a rarity, and in the general scale of expenditure of every branch of the population, must be for him to determine. Certain it is that there is no other way in which the question can be tested, and that those who look elsewhere for proofs of the action of the increased supply will look in vain, no matter to what extent it may be multiplied.

XXX.

With the repayment on Thursday of the £2,000,000 of over issue the commercial crisis of 1857 may be considered at an end. A large amount of wreck probably still remains to be cleared away, but any such details will henceforth be regarded as of only individual interest. All the exciting adjuncts of the storm will die out with the closing year. In reviewing its history

observers will be struck with a singular fact scarcely yet noticed. Throughout the whole there has hardly been so much as a reference to the continued gold production in Australia and California. More than £20,000,000 of the precious metal is still in course of annual distribution, and we have witnessed a financial revulsion at all the commercial centres of Europe and America, and heard all the theories and discussions to which it has given rise, without any one apparently thinking it relevant to mix up the two subjects as having, either retrospectively or prospectively, any bearing either for good or ill upon each other. This is a wholesome sign. A few years back the gold discoveries were used to explain everything. The agriculturists took refuge in them. Every prediction regarding free trade had been falsified, but it was Ballarat and Bendigo that had saved the country. Trade and commerce, also, would but for the same circumstance have been cut up by the Bank Charter Act long before November, 1857. Every good that a liberal Government might effect was credited to the specie arrivals, and all their sins were described as the more heinous because, while this "wealth" was pouring in upon us, it was utterly inexcusable that anything should go wrong. Politically, economically, and commercially, whenever a man wished to escape the horns of dilemma, he thus found the means to throw his opponents into confusion. He had been perfectly right, but who could have thought of the mines? It is evident, however, we are getting beyond this. The late conflict on the currency has shown that among the great body of the people the simple principle on which alone it can be honestly based has been understood with a force which, in the midst of the speeches and pamphlets that threatened to pelt us out of all courage and reason, could hardly have been hoped, and the rapid cessation of the delusions on the gold question is another equally important proof of advancing intelligence. It is true that during the late debates one or two of the leading members of the Opposition seemed to wish to approach the matter in the old style, but the attempts were in every case confined just to

the number of words necessary to show that they had forgotten nothing and learnt nothing. A stray allusion to the riches that are still being opened up, coupled with a cautious expression of concern at the fact that with all these "riches" we seemed to be none the richer, constituted for the most part the utmost that was ventured. It is plain that the majority have disabused their minds of the visions that first dazzled them, and have at length accepted the simple idea that there is no ultimate profit in increasing the supply of a commodity which, in a general sense, has no value except from the limitation of the supply. Perhaps, indeed, they may have already recognized that the 100,000 or 150,000 persons toiling at the deposits in California and Australia are actually the most complete specimens of a non-producing class that can be found. They live extravagantly, and furnish nothing in return to add to the general stock of available property. When they have given out the results of their labour we are just where we were. As soon as the 50,000 ounces of gold which they may raise this week shall have been added to the mass of gold at present in existence, the enlarged total will be worth nothing more than the smaller one. As far as the direct action of his occupation on society is concerned, the goldfinder and Sisyphus are fellow-workers. Happily by drawing others to new regions he unwittingly exercises at the same time a marvellous influence on the destinies of mankind, but that is a different branch of the subject. The point now is, that as respects any operation on the tangible wealth of the world he is a nonentity; and as the question whether this is the case, or whether he is really creating effects sufficient to account for every good thing that is brought about by enlightened legislation could not fail, while it was at all in doubt, to prove rather disheartening to those who had been striving for progress, it is satisfactory to find that in most quarters there seems no longer the slightest perplexity on the matter.



APPENDIX.

A.

The Panic of 1847.

The following, which appeared the day before the suspension of the Bank Charter Act, ten years ago, will show that the means by which that event was then brought about were precisely analogous to those recently put in operation. At that period it was the persons connected with certain unsound Joint-Stock Banks at Newcastle that were most active in spreading alarm.

The most noisy of those who deplore the present panic are the people from whom it has its existence. The Newcastle gentlemen, who tried to create a run on the London banks some few weeks back by the expression of their desperate apprehensions of what might happen, although, according to their own admissions, they themselves had nothing to complain of, have followers out of number. The letters produced in simple openness by the speakers on that occasion were only samples of what are now flying from town to town all over the country. "Here business is at a stand-still;" "No one can tell what will happen next;" "Several houses hitherto of undoubted credit are known to be in difficulties, but we forbear to mention names;" "It is said that unless the Government do something, all the leading firms will close their doors by the end of the week;" "The consequences will be dreadful;" "It may extend to the masses;" "We may see the Bank, the Government, and the country in one general monetary wreck,"—are the common phrases which meet our eyes in every direction, and which, in his grief at the panic, each man seems to adopt as likely to give the most proper direction to his neighbour's views. The end is to get Government relief, to induce the Ministers to advance the credit of the nation, which

includes the credit of all those who are out of business or who have nothing to do with speculation, to supply the place of that credit which the commercial world refuses to give to one another. But the question at once suggests itself, since it is professed that the object sought is only just such a temporary issue of notes as shall "restore confidence" for the moment, whether it is not the duty of those parties, before they call for help from the Government for that purpose, to put their own shoulders to the wheel, and to set the example of showing confidence themselves. If the mercantile body have involved themselves in irremediable speculations, of course neither the Government nor any other power can help them, and any momentary aid would merely prove so much waste; but if, on the other hand, it be as asserted, that the great majority are intrinsically in a sound state, and are only placed in jeopardy through the temporary effects of distrust, there can be no excuse for those among them by whom that distrust is excited and exercised, and if they still pertinaciously spread it when the remedy lies in discarding it, they can hardly complain that they are called upon to pay the penalty.

The fact however is, that the very object of the outcry on the part of many is to prevent any subsidence of the panic by legitimate means. Let things return to their natural channel—to that steady course of pressure which, during the whole of the present year, would never have been interrupted but for the bad banking of the Bank, and which must go on until it has entirely crushed the railway mania, and these people know their fate. Solid firms would be content with such a state of things; they are only seeking steadily to continue that contraction of engagements which they have long put in progress, and contentedly to wait until the great evil by which commerce is depressed shall have been cleared away, and business may be again resumed. They have the means to do this, and also the means to live on for some months, satisfied with not making money if they can be secure against losing it. But this would be ruin to the entire mass of those who for the past two years have had the direction of the "enterprise" of the nation. Banks which have made uncovered advances of hundreds of thousands, or who have locked up their funds in railways or in collieries, merchants who have gone under engagements of half-a-million or more backed by a capital invested in sugar factories or coffee plantations some 6000 miles away, manufacturers or brokers whose safes are filled with scrip with one pound paid on each share, and 19 yet to pay, cannot get on beyond

the hour. No ordinary restoration of confidence, no state of continued contraction, can be compatible with their existence. They must have something that shall revive the public trust in the delusions to which they have committed themselves, and which shall enable them to throw those commitments upon others, and consequently a depreciation of the currency (for any habit of resorting to an additional issue of bank-notes would inevitably have that effect) is the only thing that will serve their purpose. It is the *pressure* they want to get rid of, and not the panic, and they will do their best to keep up the latter until by its aid they shall have brought the sound part of the community into equal peril with themselves, and shall thus have escaped an exposure of the rottenness of their own position through the sense of a common ruin, and of a common necessity for "relief."

Let the public recognize these facts, and they will at once do much towards producing a more wholesome state. Let them recollect that the condition of commerce at this moment is in many respects not so dangerous as it was in April, since much unsoundness is now cleared away; that uncovered engagements have been reduced, and that, although statistics of manufacturing distress are prominently paraded, the number of mills stopped and of hands out of employ is actually one-third less than were then discharged. Let them remember that an influx of gold is now taking place solely by the beneficial operation of that law which it is sought to set aside. Let them also bear in mind that in April we had the same cry for Government aid, that deputations arrived from Liverpool, and that within a month from the time when by the unaided operation of the Bank Charter Bill the efflux of bullion had been checked, and trading confidence had been restored, Liverpool became the chief scene of a revival of the railway speculation to an extent which, by its rapidity and by the magnitude of the transactions entered into, took all England by surprise. Let it be asked likewise, if "temporary relief" had been administered then, at what period would it have been likely that the speculators of Liverpool and of other places would have acknowledged that it had done its work, and that the accommodation might be returned? And let it be further asked, since our stock of bullion has diminished nearly £2,000,000 subsequently to that period, where it would have been by this time, if the influx of gold which at that date took place had been checked, as it was then, and as it is now again proposed to check it, and if importations had been stimulated by increased facilities?

If, in addition to these considerations, the sober part of the community will keep in view the instructive fact that these alarmists are always the very persons to heap abuse upon those who would attempt to warn them when warning can be safely given,—that they are full of confidence when there is too much confidence, and the loudest to cry ruin when courage is most demanded, it may be hoped that vague terror will lose its force, and that the attempted mischief will be stayed. Even if much worse pressure shall come, as ultimately it will, there will yet be means of relief for all who are entitled to expect it, if, instead of losing their presence of mind amidst the vain clamour for extraneous help, they will devote their thoughts to the construction of well-combined plans by which they may ensure their own safety, and do the best for one another.

B.

Speech of the Chancellor of the Exchequer, Sir G. C. Lewis, in proposing the Bank Indemnity Bill, 4th Dec. 1857.

The Chancellor of the Exchequer said,—I rise for the purpose of bringing under the attention of the House the question which, as has been stated in the extract from the gracious Speech from the Throne, has led to the assembling of Parliament before the usual time. In order that the Committee may fully understand the nature of the act of Her Majesty's Government which has induced the Directors of the Bank of England to infringe the provisions of the statute, and thus rendered it obligatory upon me to ask the House to give its consent to a Bill of Indemnity, it will be my duty to call their attention to the existing state of the law. Sir Robert Peel, in the course of his long political career, induced the Legislature to agree to two important Acts relating to the currency, which were in point of time separated from each other by a quarter of a century. The first of these Acts, as is well known to the Committee, was passed in 1819. It restored the currency to its proper metallic basis, put an end to the state of things existing during the war—a state of suspension of specie payments, and established the convertibility of a bank-note. After that Act had been passed, the power of the Bank of England to issue notes was unlimited

in point of extent. They were only subject to the condition of being payable in gold on demand; and the power of establishing country banks was also unlimited, subject to the privilege which then existed in favour of the Bank of England from the practice in reference to six partners. These banks when established could create any quantity of bank-notes. The same power existed both in Ireland and Scotland. Any person could, under that law, establish a bank and issue notes payable to bearer on demand, provided only that those notes were paid in specie upon presentation at the bank. That was the state of the law from 1819 to 1844, the date of Sir R. Peel's second important Act on the currency. That second Act, he stated to the House, was to be considered as a complement to the first; he intended it to secure, in fact, that convertibility of the note which was made legal only by the Act of 1819; and the provisions which he introduced were to the following effect:—In the first place, he enabled the Bank of England to issue notes on securities to the extent of £14,000,000, together with any further sum which might accrue from the lapsed circulation of the English country banks, as to which some detailed provisions were introduced into the Act. An order in Council under those provisions was passed about two years ago, authorizing the Bank to add to that portion of its issue which rests upon securities the sum of £475,000. Therefore at present the issues which the Bank of England can make upon securities—and it is not allowed to make any issues except upon Government securities—is £14,475,000. In addition, the law allows the Bank of England to make an amount of issue equivalent to the bullion which may be in its coffers. The Act of 1844 further introduced a provision which seems to me, although in some manner connected with them, yet to be essentially different in its character from the other provisions,—I mean that for dividing the Bank of England into two departments, the issue and the banking department. Gentlemen who are familiar with the mode in which the weekly returns of the Bank are published, are aware that the assets and liabilities are always classed under those two divisions. I shall presently have to call the attention of the Committee to the practical working of that system with reference to the measure to which I am about to ask their assent. I should add, that with regard to English country banks, the Act of 1844 contained this important provision,—it prohibited any bank which might after the passing of that Act be established in England from issuing bank-notes. It limited, also, the note issues of the existing

banks to the amount which was then in circulation. It contained no provision requiring them to issue notes on securities, nor did it allow them to exceed the fixed limit by issuing notes against bullion. Therefore, under the Act of 1844, the condition of the English country banks is this:—No new country banks can issue bank-notes at all, and the country banks existing at the time of the passing of that Act are limited in their issue to the circulation which they then possessed. In the following year was passed an Act with respect to Scotland and Ireland, which was intended as a part of the same measure. Its effect was to limit the existing banks of Ireland and Scotland to their then issues, as in the case of the country banks of England. It did not require that those issues should be guarded by securities of any kind, but it authorized them to make issues in excess of their certified circulation against a deposit of bullion. Therefore, in Ireland and Scotland there is a certain amount of paper which is limited under the Act, in addition to which the banks issue a certain portion against sovereigns. The Committee ought to bear in mind the practical result of this compound system upon the circulation as it exists at the present moment. On the 11th of April last the notes of the Bank of England in the hands of the public amounted to £19,752,045. At the same date the note circulation of

The English country banks was	£6,920,000
The Scotch banks	3,832,000
The Bank of Ireland	3,557,000
And other banks in Ireland	3,596,000

Total . . . £17,905,000

Adding that amount to the circulation of the Bank of England, we may take the paper circulation of the United Kingdom to be in round numbers about £38,000,000. Of that £38,000,000 the only portion which is strictly covered by bullion is that which is issued by the Bank of England in addition to the £14,475,000 which they issue upon securities. The whole of the circulation of the English country banks and the chief part of the circulation of the Bank of Ireland and the Scotch and Irish country banks is, so far as the law is concerned, not represented by bullion. The security which the law takes for that portion of the circulation is the legal convertibility of the note—the liability of the banker to pay in specie when the note is presented. That is the existing state of the circulation under the different Acts which regulate our currency; and it is essential to bear in mind, with reference to the

solvency of the Bank of England and the importance of keeping a large bullion reserve in that central establishment, the considerable amount of the provincial issue. When Sir R. Peel introduced the measure of 1844, he stated that one of the main objects which he had in view was to provide security against the excessive issue of paper, and thereby to guard against the recurrence from time to time of those commercial panics under which the country had at different intervals suffered previously to 1844. At the same time he stated that he did not propound his measure as a panacea, or as an infallible guard against such panics, because he said that the issue of bank paper was only one of their causes, and he recognized the fact that commercial panics might arise from causes which did not lie within the scope of his legislation. But in 1847, after the commercial crisis of that year, when it became requisite for the Government to authorize the Bank, if the necessity should arise, to exceed the limits fixed by the Act of 1844, Sir R. Peel, in the discussion which arose, delivered his opinions more fully on the subject than he had previously done, and he gave a definition, corrected by experience, of his own views as to the objects of the Act of 1844, which, as it contains an authentic exposition of his opinions, I trust the Committee will permit me to read. Sir R. Peel upon the 3rd of December, 1847, said:—

“I say, then, that the Bill of 1844 had a triple object. Its first object was that in which I admit it has failed, viz. to prevent, by early and gradual, severe and sudden contraction, and the panic and confusion inseparable from it; but the Bill had two other objects, of at least equal importance—the one to maintain and guarantee the convertibility of the paper currency into gold, the other to prevent the difficulties which arise at all times from undue speculation being aggravated by the abuse of paper credit in the form of promissory notes. In these two objects my belief is, that the Bill has completely succeeded. My belief is that you have had a guarantee for the maintenance of the principle of convertibility such as you never had before; my belief also is, that whatever difficulties you are now suffering, from a combination of various causes, those difficulties would have been greatly aggravated if you had not wisely taken the precaution of checking the unlimited issue of the notes of the Bank of England, of joint-stock banks, and private banks.”

That was Sir Robert Peel's definition of the Act after he had become aware of the events of 1847. I may also call attention to the remarks that my right hon. friend near me (Sir C. Wood), who then held the office which I now hold, made upon the measure then brought before

the House, as showing that in his view the Act was never considered as a specific against commercial panics. He said :—

“A complaint has been made that this Act has not preserved us from commercial convulsion. I think that those who expected such an effect from it much miscalculated the motives by which persons engaged in commercial transactions are actuated. Certainly, for one, I never held out any such expectations to the country. I stated most distinctly that I did not contemplate that such would be the effect of the Act. The same effects precisely might have occurred under a metallic circulation as have occurred under our mixed currency, and the advocates of the Act of 1844 never professed that its operation would produce any other result than that which might have happened under a metallic circulation.”

I think that this reference will satisfy the Committee that the authors of the Act of 1844 did not contemplate its proving a panacea or a complete guarantee against the occurrence of commercial crises, which are produced by a variety of causes, upon which no legislation, and certainly no legislation confined to the currency, could operate. I will now briefly advert to the peculiar crisis of 1847. It was described by my right hon. friend, in moving for a Committee on the subject, as having been caused by the absorption of available capital for the purchase of corn and the construction of railways acting upon a very unsound state of commercial affairs. It arose from internal causes, from an internal demand for a large and extraordinary amount of capital, and had no connexion, as in the case which we are now considering, with our foreign trade. In 1847, as in the present year, Her Majesty's Government, considering the urgency of the commercial crisis, came to the conclusion to issue a letter to the Directors of the Bank, authorizing them in certain contingencies to exceed the limits fixed by the law. The cause of issuing that letter was stated to be the want of confidence in the commercial classes which then existed, and its object was also defined to be to put an end to the present alarm. Although the cause of the panic in 1847 was different from that of the panic of this year, yet the object aimed at by the issuing of the Government letter in those two years was identically the same. The Bank Directors, however, did not find themselves under the necessity of overstepping the law of 1847. Confidence was re-established by the issuing of the letter. Its influence upon the commercial classes was immediate, and the Bank Directors were enabled to navigate their ship through their difficulties without exceeding the limits of the law. Nevertheless,

Parliament was assembled before the usual time. The attention of Parliament was called to the matter by Her Majesty's Speech, but as no Indemnity Bill was required, the direct assent of Parliament to a Bill was not obtained. Nevertheless, a Committee of Inquiry into the Act was appointed upon the motion of my right hon. friend. That motion gave rise to a debate, but I believe that it was unanimously assented to by the House. Sir Robert Peel, who was the author of the Act, expressed himself, in terms the most unambiguous, in approbation of the sanction which had been given by the Government to the suspension for a time of the limits fixed by the Act. I shall quote some of his words on that occasion, and I think it is of importance that the Committee should bear them in mind, inasmuch as the distinctness with which he spoke proves that he, who was certainly better qualified than any other person, either in or out of this House, to speak with authority upon the policy of the Act, was satisfied of the propriety of the step then taken. He said:—

“But when there occurs a state of panic—a state which cannot be foreseen or provided against by law—which cannot be reasoned with—the Government must assume a power to prevent the consequences which may occur. There is the necessity for a discretion which I think was properly exercised in the present instance. It was better to authorize a violation of the law than to run the risk of the consequences which might have ensued if no intervention on the part of the Government had taken place. Sir, I think that the Government were justified in issuing that letter. I think that, having issued it, they acted with the strictest regard to constitutional principle in forthwith summoning Parliament.”

That was the judgment, if I may say so, which Sir Robert Peel pronounced upon that question. But the matter did not rest merely with the appointment of a committee, and the approbation by individual members of Parliament of the step taken by the Government. On the 17th of February, 1848, Mr. Herries, who was then a member of this House, moved two resolutions in a committee of the whole House, the first of which confirmed in a most distinct manner the policy of the step. It was in these terms:—

“That looking to the state of distress which has for some time prevailed among the commercial classes, and to the general feeling of distrust and alarm by which the embarrassments of trade have been aggravated, it is the opinion of this House that Her Majesty's Ministers were justified, during the recess of Parliament, in recommending to the Bank of England (for the

purpose of restoring confidence) a course of proceeding at variance with the restrictions imposed by the Act of the 7th and 8th of Victoria, cap. 32.

"That this House will resolve itself into a committee upon the said Act."

That resolution was put and carried without a division, from which it is manifest that the House, upon a consideration of the subject, explicitly approved the act of the Government. But a select Committee was appointed to inquire into the Act of Parliament, and several most able and competent witnesses gave evidence before them. In their first report, dated the 8th of June, 1848, they said:—

"The issue of that letter was no doubt an extraordinary exercise of power on the part of the Government, but the House has decided that in the peculiar circumstances of the period they were justified in taking that step."

Therefore the Committee—perhaps it is a solecism to say so—adopted the resolution of the House; at all events, the Committee, after great consideration and inquiry, referred to the previous resolution of the House as embodying their own opinion. Having thus, I fear at too great length, but with a minuteness which I thought the importance of the subject required, stated what took place in 1847, I will now, with the permission of the House, call their attention to the events which are now immediately under our consideration. With regard to the commercial crisis into which we have lately entered, and from which I think we can scarcely be said yet to have emerged, it may be observed that no symptom of an alarming or even of a threatening character (if we compare the bullion and reserve notes of 1856 and 1857) manifested itself until about the 18th of October. From that day a perceptible deterioration began. The bullion in the Bank fell between the 10th and the 18th of November from £10,110,000 to £6,484,000; while the reserve notes fell during that period from about £4,500,000 to about £1,400,000. But before that time it cannot be said that anything occurred which could create uneasiness in the course of affairs at the Bank. The immediate cause of the crisis was, as must be within the knowledge of most of the hon. gentlemen who are now present, unconnected either with the management of the Bank or with any issue of paper money in this country. It grew out of the derangement of the American trade, supervening upon some previous inconveniences created by the Indian revolt, the shipment of bullion, the disturbance of the Indian trade, and, to a certain extent, speculation upon the Continent. However, it may be said that the almost exclusive cause of the commercial distress was the derangement of the American trade. For some months previ-

ously to November, the foreign drain of bullion was accompanied by an adverse state of the exchanges and a high rate of discount at the Bank. On the 2nd of April it was at $6\frac{1}{4}$ per cent., on the 18th of June it was 6 per cent., on the 16th of July $5\frac{1}{2}$ per cent., on the 8th of October it was raised to 6 per cent., on the 12th of October to 7 per cent., on the 19th of October to 8 per cent., on the 5th of November to 9 per cent., and on the 9th of November to 10 per cent. These figures show that high rates of discount had prevailed, the natural consequence of an adverse state of the exchanges; but the operations of the Bank and of the discount-houses in this country had been successful in reversing that state of things, and in producing a favourable state of exchanges before the issue of the Government letter. At that time the foreign drain of gold had been checked, and the exchanges were favourable. Well, although some uneasiness might still exist as to the state of the Bank, nothing at that moment seemed to indicate any immediate probability of the Government being called upon to exercise any extraordinary powers; and as the right hon. gentleman (Mr. Disraeli) referred yesterday to the state of our trade during the month of October as a circumstance which ought to have induced Her Majesty's Government to hesitate before they recommended the prorogation of Parliament until the end of December, I would beg leave to remind him that even if the state of trade had been more unfavourable than it actually was, there was no symptom of commercial distress which would have rendered it necessary for the Government to resort to any extraordinary act. It was only in the event of their being called upon by any urgent and unforeseen necessity to authorize a suspension of the law, that it was likely to be necessary that, upon merely commercial grounds, they should advise Her Majesty immediately to assemble Parliament. In the event of that improbable contingency—as we thought it—arising, a constitutional power existed, which could be exercised at any moment, of summoning Parliament by proclamation to meet in fourteen days. That is an explanation of the charge of want of caution and foresight on the part of the Government brought forward by the right hon. gentleman. Well, the first event which precipitated matters in the late commercial crisis was the failure of the Borough Bank of Liverpool. I wish to call the attention of the Committee to the fact that that was not a joint-stock bank, and that it was not a bank of issue. I believe there is not a single bank of issue in that town: but the Borough Bank was not a bank of issue; it was a corporation of a general character, and the

amount of its liabilities was very considerable. As far, therefore, as that establishment was concerned, the consequences produced by its failure cannot in any way be traced to an excess in the issue of bank paper. That failure took place about the 27th of October, and the next event of importance was the failure of Messrs. Dennistoun on the 7th of November. That house was extensively engaged in the American trade. I believe that it was a house conducted with prudence, and possessed of large capital, but it was suddenly forced to suspend payment by the misfortunes arising out of the convulsions that had taken place in America, which were attended with much greater distress than had occurred in this country, and accompanied by a general suspension of cash payments. The house of Messrs. Dennistoun failed, as I have said, on the 7th of November for upwards of £2,000,000. About two days afterwards, I believe on the 9th of November, a large joint-stock bank in Scotland failed—the Western Bank, which had numerous branches. Within a day or two afterwards another large joint-stock bank—the City of Glasgow Bank—also failed. The joint circulation of these banks was about £800,000, of which about one-half was the certified circulation they were authorized to make upon securities, and the remaining half upon bullion. Their deposits were about £9,000,000, showing that it was not their note circulation, but the magnitude of their other transactions and liabilities which led to their unfortunate failure. I may mention with regard to the Western Bank of Scotland, that there had been no run at all upon it previous to its failure, and that when its doors were closed, not a single note had been presented for payment out of the usual course, thus showing that it was not the discredit of the notes of the bank, but a failure to meet its large engagements of other descriptions, which led to its unfortunate fall. The first sign of pressure more immediately affecting the mercantile classes in London, and approaching nearer to the Bank of England, was the failure of the house of Messrs. Sanderson and Co., bill-brokers, which took place on the 10th of November. Such an event could not occur without exercising a serious influence upon the credit of other similar establishments in this city. The publication of the Bank returns for the week ending Wednesday the 4th of November, which showed a considerable reduction of the Bank reserve, was a circumstance which, combined with the other facts I have mentioned, could not but create uneasiness and alarm, and call attention to the diminishing resources of the Bank. The alarm increased in London, and I

think I cannot adduce a clearer or more compendious proof of the existence and extent of that alarm than by referring to the increase of the bankers' deposits at the Bank of England in the week from the 4th to the 12th of November. It may at first sight seem somewhat paradoxical to the Committee to refer to the increase of bankers' deposits in the Bank of England as a proof of alarm; but it must be borne in mind that the Bank of England is the bank in which the London and other bankers keep their deposits, and therefore when they increase those deposits suddenly and extensively, it is a proof that they are guarding themselves against a run upon their funds, that they expect demands from their customers, and are, in fact, if I may so say, hoarding their resources. The increase of bankers' deposits at the Bank of England is, therefore, a recognized test of the existence of alarm. In the week from November 4 to November 12, these deposits increased by no less than £1,970,000. But there was another decisive proof of the existence of alarm in this city—namely, the general cessation of all discounting except by the Bank of England. At that time it was scarcely possible to obtain an advance, even upon bills which were undoubtedly good, either from bill-brokers or bankers; their operations were for the moment universally suspended, and the Bank of England was the only establishment in London at which discounts could take place. That circumstance may be referred to as a tolerably conclusive proof of the general prevalence of alarm. I may mention, that at that time a single discounting house paid in one day £800,000, £700,000 to depositors, and £100,000 to discounters; a sum, I apprehend, almost unparalleled in operations of that kind. I will now call the attention of the Committee to the state of the Bank on the day before the recent Government letter was issued, and to its state on the day previous to the issue of a similar letter in 1847, and I think the Committee will see that with regard to every point indicative of the strength of its resources, the position of the Bank in 1857 was less favourable than its position in 1847. The inference to which I wish to lead the Committee is that, if the Government were justified by the opinion of Parliament, of the public, and of competent judges, in issuing the letter in 1847, then *à fortiori* they were justified this year in issuing a similar letter. The following is a statement of the position of the Bank of England in October 1847, and November 1857:—

	October 23, 1847.	November 11, 1857.
Bullion	£ 8,313,000	£ 7,171,000
Reserve of notes in Banking Department .	1,547,000	957,000
Reserve of coin	447,000	504,000
Deposits (private)	8,580,000	12,935,000
Private Securities	19,487,000	26,113,000

Therefore I think the Committee will see that, whatever were the grounds for the interference of the Government in 1847, the grounds were still stronger in the present year. There is another most material point of difference between the two cases, which perhaps even still more justifies the interference of the Government in the present year. In 1847 the turning-point had been reached before the issue of the letter—the state of things had begun to improve. It is true that the issue of the letter, in the opinion of competent judges, accelerated that process; but the improvement had already manifested itself, and the worst had been seen before it was issued. Now, in the present year the direct contrary is the fact. We had not reached the worst when the letter was issued; and, whatever opinion may be formed as to the beneficial effects of the letter, there is no doubt that if it had not been written, if this authority had not been given, we should have seen a worse state of things after the 12th of November than before it. Now, the fact which seems to me material, as constituting the difference between the two years, is the progress of the London discounts at the Bank in 1847 and 1857. On the 23rd of October 1847, the London discounts of the Bank were £7,762,000. The amount remained stationary till about the 4th of November, when it fell to £7,500,000; and a few days later it sank even lower. In the present year, on the other hand, those discounts amounted on the 9th of November to £7,256,000. They went on regularly increasing till on the 27th of November they reached £12,022,000, and on the 1st of December they still stood at £11,961,000. This shows that the sum under discount at the Bank of England was greater at the end of that period than at its commencement, whereas in the corresponding period of 1847 that amount had considerably diminished. Therefore, I infer from these facts that, whereas the worst of the crisis had been overcome before the letter of 1847 was issued, the worst had not been overcome when

the letter of this year was issued. I trust, Sir, that I have established to the satisfaction of the Committee that the course taken by the Government in 1847 was maturely considered and deliberately approved by Parliament—that the authors and promoters of the measure approved this proceeding, and that it constituted a precedent by which subsequent Governments could with propriety regulate their conduct. In the present case the causes of the panic were, no doubt, different, but the result was the same; the circumstances with which the Government had to deal were similar, the urgency was greater, and whatever reason justified the resort to extraordinary measures in the year 1847 will be found to apply with greater cogency and greater conclusiveness to the case of the present year. But the existence of a precedent has not grown out of mere accident from the occurrence of circumstances which had not been foreseen when the original measure was prepared. I have the evidence of Mr. Cotton, the Governor of the Bank at the time when the Bill of 1844 was under consideration, and that gentleman stated to the Committees of both Houses of Parliament that the precise contingency which occurred in 1847, as also in the present year, was foreseen by Sir R. Peel, who appeared to have contemplated a mode of meeting it exactly identical with that which has been adopted in both years. That seems to me an important part of the case; and I will therefore read an extract on this point from Mr. Cotton's evidence before the Committee of this House which sat in 1848. Similar evidence was given by him before the Committee of the House of Lords. Mr. Cotton was thus examined:—

“In the case of a panic, do you think that a contraction of the circulation is any cure for it?—I think it is, inasmuch as it increases the value of money, and induces people who have hoarded money to part with it.

“Do you think, even in the case of an internal panic, the proper mode of cure is a contraction of the circulation?—The proper mode of cure is a contraction of the circulation; whether it is worth while to submit to the remedy is another question. I can easily conceive that there may be monetary crises when it is necessary for the Government to interfere, and to do as was done in October.

“You contemplate, as I understand you, that under the operation of the Act circumstances may arise which will call for the interference of Government?—I did contemplate it; and I believe that I shall not be guilty of a breach of confidence if I state that the subject was discussed very fully with the First Lord of the Treasury and the Chancellor of the Exchequer during the consideration of the provisions of the Bill, and when the subject was

again pressed on him Sir Robert Peel expressed his opinion to me in these terms:—‘My confidence is unshaken, that we are taking all the precautions which legislation can prudently take against the recurrence of a monetary crisis. It may occur in spite of our precautions, and if it does, and if it be necessary to assume a grave responsibility for the purpose of meeting it, I dare say men will be found willing to assume such a responsibility.’

“It was contemplated that circumstances might occur which would render it necessary to suspend the limit of the Act of 1844. Can you state what were the sorts of events that you had then in contemplation?—I should say, events similar in effect to the events of 1825, when there was entire discredit of all the country bank circulation, and a panic which brought down, not merely an immense number of bankers, but others who were men of undoubted property.”

I think that passage ought to convince this Committee that, in referring to the proceedings of 1847 as constituting a parliamentary precedent of the utmost authority, we have every security that the subject was fully considered both in its character and its consequences, and that legislation was left in its present state upon mature deliberation. The right hon. gentleman (Mr. Disraeli) put a question last night which he had a perfect right to ask, and to which he is entitled to have an answer. It was:—“Whether the issue of this letter was called for by the Bank Directors, and whether pressure was applied to the Government in order to obtain it?” Now, Sir, I state distinctly that the issue of that letter was the spontaneous act of Her Majesty’s Government; that they proceeded upon their own deliberate and conscientious view of the circumstances of the case; that they were not urged by deputations, by the representations of mercantile bodies, nor were they implored to interfere by the Directors of the Bank of England. No men invested with a public and official responsibility could have acted in a more honourable and conscientious manner than the Directors of that corporation. They showed themselves throughout ready to carry into effect all the obligations which the law cast upon them, and they merely said that they were willing to act upon any advice which the Government might tender to them, but that they were prepared to obey the provisions of the law. Sir, the Government were guided by their view of the facts which I have disclosed to the Committee—facts the corresponding circumstances to which were deliberately reviewed by the Parliament of 1847, and were considered by them as constituting a legitimate ground of interference. These facts existed in a far more intense degree in November 1857 than in

October 1847. Our justification therefore is, that we acted in consequence, not of the pressure of the mercantile body, but in consequence of the pressure of facts, and that we should have been guilty of a grave dereliction of duty if in so grave and urgent a state of circumstances we had hesitated to take upon ourselves the responsibility which was assumed by the Government. I do not at all seek to screen myself under the existence of mercantile pressure. If the act which we have done is right, let the House indemnify the Bank Directors, let them indemnify those who advised them. If it is wrong, let them refuse that indemnity. We do not seek to shelter ourselves under any pretence of having been coerced into the act. The Committee is in possession of a numerical return from the Bank fully exhibiting the state of things on each day from the 11th of November, and it is unnecessary that I should trouble them with a minute analysis of these figures. I will only say that, unlike what occurred in the year 1847, the Bank Directors immediately found themselves compelled to act upon the authority given by the Government, and to make issues in excess of the limit fixed by the Act of Parliament. They first issued £1,000,000 of notes from the issue to the banking department, placing against that sum an equal amount of securities; and on a subsequent day they made a similar transfer. The first issue took place on the 12th of November, and the second on the subsequent day. The effect of that, technically, is, that the Bank of England has infringed the provisions of the Act to the extent of £2,000,000 sterling; but the Committee should bear in mind that, although, owing to the peculiar manner in which the accounts of the Bank are kept, the law is technically infringed to that amount, at no time has the Bank issued so much as £2,000,000 to the public. It has merely passed £2,000,000 from one department of the establishment to another. I have before me a statement of the amount in excess which was from day to day issued to the public. On the 13th of November, for instance, the excess of notes in the hands of the public was £186,000; on the following day, £622,000; and so on, until, on the 20th of November, it reached the maximum of £928,000. If the Committee will deduct the amount of the reserve of notes in the banking department from the £2,000,000 transferred from the issue department, they will see that the difference is the figures which I have given. That is the real amount which has reached the public. On the 21st of November that amount was £617,000; on the 23rd, £397,000; on the 24th, £317,000; on the 25th it had fallen to

£81,000 ; on the three following days there was an increase ; but on the 30th of November it had fallen to £15,000 ; and on the 1st of December the note reserve was more than £2,000,000 ; therefore, strictly speaking, there was then no issue in excess of the limit. I need not, however, remind the Committee that the operations of the Bank being now divided into two departments, it was impossible to work the banking department without an issue of notes from the issue department, and that that transfer was technically a violation of the law ; but the Committee should bear in mind that the real and essential violation of the Act has been confined to the amounts which I have just read. It may be asked, what would have been the result if the letter of the Government had not been issued ? That is a matter about which we can only form conjectures. The actual result of issuing that letter must, I think, be admitted to have been favourable. It diminished alarm and restored confidence ; and it did not in the smallest degree endanger the convertibility of the note, because a favourable turn of the exchanges had taken place, and there was at that time no fear of a foreign drain of gold. Therefore I cannot think that at that moment the convertibility of the note was endangered by the step which was authorized by the Government. If that authority had not been given, it is certain that the only measure to which the Bank could have resorted for its own protection would have been the immediate and total cessation of discounts. Indeed, could they have foreseen the impossibility of the Government taking such a step, they might, perhaps, have diminished their discounts a day earlier. At all events, they must at the time the letter was issued have entirely stopped their discounts. Whether so decided a step as that on the part of the Bank of England might not have led to the extension of discredit among establishments of a similar nature engaged in similar operations of banking, I leave it to the Committee to determine. It is not for me to give any positive opinions upon such a subject ; but if such discredit had arisen, the Committee must see what would have been the effect upon the banking department of the Bank of England, by leading to the withdrawal of deposits. Now, as by law the two departments of that bank are segregated the one from the other, and the assets of the issue cannot be applied to the relief of the banking department, the Bank of England might have found itself in the painful position of postponing payment to depositors, or of applying a portion of the assets of the issue department—because its assets

would undoubtedly have been sufficient—to the discharge of the liabilities of the banking department. I think it probable that such a contingency might not have arisen; nevertheless, it was within the range of possibility. Events, as I have learned from painful experience—events march very rapidly during a commercial crisis. Persons who are loaded with the responsibility of action in moments of that sort must be prepared for them, and I leave it to the Committee to judge, whether, with such a contingency before them, Her Majesty's Government would have been justified in withholding the letter which they sent to the Bank. I am fully conscious of the gravity of the step which the Government took. The deliberate infraction of a fundamental law governing the currency is, as this Committee will readily believe, a step which no persons responsible for their acts would lightly take. I do not in the smallest degree seek to diminish the importance of the proceeding resorted to by Her Majesty's Ministers; at the same time, let it be remembered that the actual excess hitherto committed by the Bank has been limited to the amount which I have stated, and that the effect of the authority which was given was simply to enlarge the amount of the issues upon securities. Now, if the entire circulation of this country had been metallic, I could have understood any objection which might have been entertained to an authority being given to a corporation like the Bank of England to issue £2,000,000 of bank-notes; but, inasmuch as they were authorized by the Act of 1844 to issue £14,000,000 upon securities, and as that Act contained a provision for further increasing that amount, in accordance with which it has by an order in Council been increased to £14,500,000, the only effect of the authority given by the Government was in a guarded manner, under the close observation of the Government and of Parliament, and to meet a momentary emergency, to increase the issues of that description. No new principle was introduced by that authority. It has been said that the Government have authorized the Bank to commit an act equivalent to a debasement of the currency, that what we have done is almost equal to permitting a repudiation of contracts, and that the sanctity of property was invaded by this additional issue of bank-notes. I entirely dispute the correctness of that view. If any doubt had existed as to the instantaneous convertibility of the additional notes issued under our authority, there would have been some ground for the charge which has been made against the Government; but, inasmuch as the additional issue by the Bank was not sufficient to affect the value of the notes, and

each note was convertible into gold upon demand, it cannot be said with justice that the Government have depreciated the currency, authorized the repudiation of contracts, or struck at the security and sanctity of property. I wish I had it in my power to say that this commercial crisis was definitively terminated, and that we could look forward with entire confidence to the Bank not having occasion to avail itself of the authority which we have given to it. I think it highly probable that the Directors may not have occasion again to exceed the statutory limit; but, at the same time, I cannot assure the House that no such contingency can be expected to occur. Perhaps, in some respects, it would have been more convenient to Parliament if it could have looked back upon a completed commercial crisis before it was called upon to indemnify the Bank Directors. The Government thought, however, that it was their duty, having authorized an infraction of the law, at once to lay the matter before Parliament, and hence the celerity with which the Legislature has been assembled. The pressure still continuing, and the wounds caused by the crisis being yet unhealed, it will be necessary for me to propose in the Bill a prospective power to the Bank to exceed the limits of the charter for a period of twenty-eight days after the meeting of Parliament which will occur immediately subsequent to the recess. I have taken that as a convenient period with a view to the revision of Parliament, if revision should be necessary, and I trust that if the House should be willing to pass the Indemnity Bill, it will not refuse to allow me to insert a clause to the effect I have stated. I shall also ask the House in the course of the evening to agree to the reappointment of the Committee on the Bank Acts which sat last session. That Committee examined many important witnesses, but its inquiries were not completed, and at the end of the session it presented the following report to the House:—

“Your Committee have agreed to report to the House the evidence which they have received; and, as their investigation of the subject referred to them is still incomplete, they beg leave to recommend that a select committee be appointed to resume the inquiry in the ensuing session of Parliament.”

We should, as a matter of course, have acted upon that recommendation and have moved the reappointment of the committee, but it has been said that what has occurred during the last few months has weakened the reasons for that course. It seems to me, on the contrary, that the commercial crisis and the act of the Government have strengthened rather than weakened the reasons for the reappointment of the com-

mittee. It must be obvious that if the House is desirous of reconsidering any of the details of the Act of 1844, it cannot do so with greater advantage than after a full inquiry before a select committee, and after the examination of competent witnesses upon all the different branches of the subject. The general portion of the subject was fully investigated last session, but so much of it as relates to the country banks of England and the banks of Scotland and Ireland, was not entered upon, and I think it must be obvious, after the events of the last few months, that there is a great deal in connexion both with the country banks of England, and the banks of Scotland and Ireland which well deserves careful investigation. Moreover, I confess I doubt whether it would be prudent, when men are smarting under the painful embarrassments of a commercial crisis, when that crisis is still incomplete, when its consequences have not yet been fully developed, to select that particular moment for revising your currency laws. Whether the proposal was made by the Government or by independent members, I cannot think that we should deliberate upon a most difficult subject, a subject which has perplexed the minds of some of the ablest men whom this country has produced, under circumstances likely to lead to a safe and beneficial conclusion. Therefore, as I should have moved the reappointment of the committee of last year under ordinary circumstances, it seems to me that the extraordinary circumstances under which we are now assembled render such a step still more expedient. By what I have said, the House, I think, must be led to the inference that the commercial crisis has not arisen from any abuses of the currency—from any excessive issues of bank paper in this country. Whatever its causes may be, they stand, it seems, wholly aloof from the proper and direct policy of the Act of 1844. Let us first take the Bank of England, the most important part of this subject. Can it be said with truth that the Directors of the Bank of England have shown any want of foresight, any want of prudence, any want of sagacity, or any want of firmness during the past year? I confess it appears to me, having had necessary occasion to watch their proceedings with vigilance, that they have not failed in any of the duties incumbent upon them. Let us compare, as a test of excessive issues on their part, their notes in the hands of the public with their private securities during the years 1856–7. The following is a statement of their notes with the public, including Bank post-bills, at various periods of 1856 :—

October 4 . . .	£21,885,000	October 25 . . .	£21,412,000
" 11 . . .	£21,501,000	November 1 . . .	£21,483,000
" 18 . . .	£22,141,000	" 8 . . .	£21,149,000

For the present year, when as we are told commercial discredit has been caused by excessive issues of Bank paper, the returns are as follow :—

October 3 . . .	£20,825,000	October 31 . . .	£21,184,000
" 10 . . .	£20,863,000	November 4 . . .	£21,080,000
" 17 . . .	£21,052,000	" 11 . . .	£21,036,000
" 24 . . .	£20,586,000		

So that, in point of fact, the amount of notes in the hands of the public has been actually less this year than in 1856. Let us now compare with the issues of notes and Bank post-bills the private securities of the Bank at corresponding periods of 1856-7. The following is a return of the private securities at the latter end of each of these years:—

1856.		1857.	
October 4 . . .	£21,582,000	October 3 . . .	£21,835,000
November 8 . . .	£18,626,000	November 11 . . .	£26,113,000

Therefore that shows that there was not any excessive issue of paper on the part of the Bank of England, and that the amount of Bank of England notes has not been excessively or unduly increased. With respect to the country banks, can it be said that any portion of this discredit is traceable to their over-issues? In the first place, take the Borough Bank of Liverpool. That is not even a bank of issue. Then the large joint-stock bank which has lately unfortunately fallen—the Northumberland and Durham District Bank: that, though a bank of very extensive operations, and though it has failed for a large sum of money, was likewise not a bank of issue, and, therefore, whatever its imprudences or misfortunes, they were in no way connected with an abuse of the power of issuing paper. With respect to the Scotch banks which have failed, both of those undoubtedly were banks of issue, but their notes bore a very small proportion to their entire liabilities, and about half were covered by gold; and no person aware of the facts, or who will make himself acquainted with them, can fail to come to this conclusion, that the failure of these banks is wholly independent of all questions relating to paper currency. Therefore, as far as the direct operation of the Act of 1844 is concerned, as far as its object was to prevent the excessive issue of paper either by the Bank of England or by the country banks of England, or by the banks of Scotland and Ireland, it

must be admitted that the policy of that Act, and of the Act of 1845, was successful. Those who impugn the policy of those Acts must say that at all events they were inoperative, or that in spite of them the currency was in a wise and sound state; and those who are friendly to the policy of those Acts will attribute the sound state of the currency to their direct operation. But, whatever these parties may think, the main fact cannot be disputed, that our paper currency was and has remained up to the present moment in a perfectly sound state. It is quite conceivable, as my right hon. friend remarked in 1847, that a commercial panic might arise if the circulation were purely metallic. There might be undue credit and unsound speculation, and these causes might produce the same effects as are observable at the present moment in the town of Hamburg, where there is no paper circulation, where the only circulation is metallic, and where there exist all the acute symptoms of a commercial crisis. Now, with respect to the operation of the Act of 1844, I am desirous of drawing the attention of the Committee to the distinction between the ordinary operations of the Act in those circumstances which were contemplated by its authors, and its operations at a moment of panic or crisis. If we take its operations under ordinary circumstances, the limit imposed on the Bank of England, and on the country banks, and on Irish and Scotch banks, operates in the way of prevention. It does not check the ordinary habitual operations of commerce, but is like a punishment in the penal law which, by its preventive consequences, determines men's conduct. But when we come to a state of panic, all these circumstances are reversed. Men's minds are then in an extraordinary state. Mutual distrust prevails through the community, and a law which may be perfectly suited to the ordinary conditions of trade, in which it may operate beneficially when men are left under the influence of ordinary motives, may at a time of panic be found to produce effects the reverse of beneficial. The question then arises, whether some extraordinary power should not be required to suspend the operation of such a law. The present law does two things. It imposes a limit on the issue of the Bank of England, and exhibits the accounts of the Bank of England in a peculiar form, and likewise requires that those accounts should be published once a week. Now, wherever you impose a limit, there is no question that the existence of that limit, provided it makes itself felt at a moment of crisis, must increase the alarm. People feel at the moment that a peril presses on them, they

begin to calculate how much remains of that fund to which they look for assistance in times of commercial difficulty, and in whatever way you fix the limit, whether by Act of Parliament, or, as Mr. Tooke proposed, by a sort of usage, or, as in France, by the discretion of the Government acting on the Bank of France, there is no doubt that in moments of crisis the limit must aggravate the alarm. I can bear witness, from my own observation, that such was its operation in 1847. There is no doubt, in my opinion, that when a crisis once sets in, when you have an extraordinary state of distrust quite different from the state in which men ordinarily live (because it is by mutual trust and confidence that commerce is carried on), when you get into a state of apprehension, and every man suspects his neighbour, then undoubtedly any limit which is imposed on the paper circulation must aggravate the alarm. In that way I distinguish between the ordinary and the extraordinary operation of this Act. Well, then, the manner in which the assets of the Bank are distributed, by which the whole bullion is set against the paper issue of the Bank, and by which only a small portion of reserve notes is placed in the banking department in a very conspicuous manner against the deposits, concentrates the attention of the commercial public upon the amount of gold in reserve. They watch its diminution from day to day, and when it has reached a certain point each person desires to get a share of it as long as it lasts. The banking account tends, then, by that accident, to aggravate in a commercial crisis the public alarm. These circumstances appear to me to show that in its extraordinary operations this Act may tend to aggravate panic, though in ordinary times it tends to promote a sound state of circulation, and, so far as the state of the currency is concerned, to avert panics; but when a panic arises from other causes, at that particular crisis, though the panic may only last a few days, it aggravates the alarm. It appears to me that at moments of that sort we can only resort to the discretion of the Government for the time being; but I shall be happy to hear if any gentleman has any other remedy to offer for those rare, I am happy to say, but, nevertheless, recurring occasions. It seems to me you can only resort to the discretion of the Government in some form or other. Now, there is a question on which the Government have carefully deliberated, and on which, after deliberation, they have not thought it their duty to make any proposition to the House. The question is one which will be considered by the Committee to be appointed, I hope, by this House.

The question is, whether it is preferable to leave the power of dealing with these emergencies vested in the executive Government for the time being, to be exercised by them on their responsibility to Parliament, and subject to the duty of assembling Parliament at an early period after the exercise of the power, of submitting to it the whole facts of the case, and asking for an indemnity. The question, I repeat, is, whether we should, in conformity with the opinion of the Commons' Committee of 1847, leave the matter in that state which undoubtedly involves an infraction of the law, though the wound which may be done to the constitution is healed by constitutional and Parliamentary means; or whether we should adopt the conclusion of the Committee of the House of Lords in the same year, who thought it irregular to grant such a power to the executive Government, and that Parliament ought to engraft into the Act itself a power of suspension. The Bill, the introduction of which I hope the House will sanction, and introduced at a time when the events which have called for its introduction are still recent, while the crisis in its consequences is not fully developed, will not contain any distinct provision upon that subject. It appears to me, indeed, that the question is one of importance in a constitutional point of view rather than as involving any great difference in its practical results. If, after the proceedings which took place in 1847, and if Parliament should come to a similar conclusion now, the Government, acting under the influence of two such precedents, might find their course facilitated and guided; while, upon the other hand, if a clause were inserted in the present Bill, authorizing the Government in cases of emergency and in times of panic to relax the limit, but containing a clause similar to that which is contained in the Act which enables Government to embody the Militia, but which provides that they shall call Parliament together within fourteen days, I think the practical result of such a state of things would be the same as those of the present system, because I think that a Government would be apt to look upon the distinction as a mere formal one, and would feel the same reluctance to act upon the power afforded them, except in cases of extreme emergency. While, therefore, I think that the subject is more important as a constitutional question than from any difference in the practical result of the two systems, there are other reasons why I think that a clause conferring such a power upon the Government ought not to be introduced into the present Bill. Two Select Committees have sat to inquire into the subject, one a Committee of this House, and the other

a Committee of the House of Lords, and, after fully hearing and considering evidence on the subject, those Committees arrived at diametrically opposite conclusions. It is a subject therefore with regard to which we may anticipate a great difference of opinion, and the Government would be glad to hear the views entertained by leading members of this and of the other House of Parliament before they can consider it their duty to submit any measure with regard to it. Now, Sir, there are questions relating to the operation of the law in Ireland and Scotland which are worthy of notice, and I think that it may become the House to consider whether some amendments in the existing law may not be made with great propriety; to consider, for example, whether there could be any objection to providing that the Bank of England note should be a legal tender over the whole of the United Kingdom. Also, it might become us to consider whether, in order to prevent the inconvenience arising from drains of gold from this country under the present system, it might not be advisable to allow the Irish and Scotch banks to issue notes against Bank of England notes. There is another subject to which I adverted last year, in moving the appointment of the Committee to inquire into the operations of the Act of 1844, which has been the subject of much popular discussion at the present period,—I mean the policy of permanently increasing for the future the limit of the issue of the Bank of England. It is said by some persons that if the Bank of England had been authorized by law in the beginning of November to issue £16,500,000, instead of £14,500,000,—and to give them such a power does not involve any difference of principle from the Act of 1844, for it was quite within the views of the promoters of that Act,—the crisis might have been got over without any extraordinary step being taken by the Government. I think, then, as far as I understand the case, that is a fair representation of the views of many gentlemen. Now, Sir, I wish, in answer to that view, to call the attention of gentlemen who entertain it, to this fact. If the bullion reserve of the Bank of England had been what it was at the commencement of the crisis, and if the Bank of England had been empowered by law to issue £16,500,000, instead of £14,500,000, undoubtedly no extraordinary interference might have been necessary. But at the same time I can quite understand that, inasmuch as I believe that in a monetary panic the existence of a limit tends to increase alarm, such interference might have been necessary. Now, if the Bank of England had not kept the same bullion in reserve which the law now requires, if it had merely

issued £2,000,000 more upon securities, and diminished the reserve by £2,000,000, which, under such a state of the law, it would be enabled to do, the Bank of England would have had no greater facility than it has now had, but the reserve of bullion would be less by £2,000,000. I think that this consideration must tend to convince gentlemen who hold that view, that the resort of increasing the credit of the issue of the Bank from £14,500,000 to £16,500,000 might not be quite so effectual a remedy in times of panic as they imagined. I regret that I have been compelled to trouble the House at such great length upon this subject ; but inasmuch as these questions were the real occasion which induced the Government to recommend Her Majesty to call Parliament together at this early period, and inasmuch as they have occupied a great amount of public attention, inasmuch as they have grown out of an important crisis which must lead to important results, inasmuch as the step which has been taken by the Government was an extraordinary and extra-legal step—for we stand before Parliament, I will not say in the position of culprits, but in the position of having advised the corporation of the Bank of England to make a departure from the existing law,—inasmuch also as we are now called upon to ask Parliament to indemnify the Bank of England and ourselves, I trust that I may be forgiven if I have felt it my duty to make a statement of such length to the House.

The motion was then read from the chair, “That the Chairman of the Committee be directed to move for leave to bring in a Bill to indemnify the Governor and Company of the Bank of England in respect of certain issues of their notes, and to confirm such issues.”

C.

Speech of Lord Overstone on the Crisis and the Suspension of the Bank Act, 3rd December 1857.

Lord Overstone agreed that the Bank Act deserved the most careful consideration. He also agreed in the principle that everything connected with the issue of money should be effectually and distinctly separated from everything connected with the dealing in money. The Act of 1844 stopped short of declaring that the money of the country

should belong to and be regulated by the State; but in practice, under that Act, the management of the money of the country in its issue was entirely separated from the business of banking and the dealing in money. Prejudices in the public mind, and errors in minds of great intelligence, were not yet eradicated, and no debate ever took place in which those errors did not appear. He was at one time unwilling to sanction a more complete separation between the creation of money and the dealing in money, because of the inconvenience which might arise from the transference to the Government of the management; but the little he had seen convinced him that it would be better to carry the principle out to its fullest extent, and he was therefore for separating in account and in appearance, as was actually separated in practice, the creation from the dealing in money. He did not agree that it was the prerogative of the Crown to create the money of the country. He believed it rested on sounder principles—the principles upon which the Act of 1844 was built. The two principles upon which that Act was founded were, first, that gold was the money of England; and, secondly, that the quantity of gold which the country should have for its money should not be under the control of any Government, nor of any body, nor of any private individual, but should be subject to the free competitive action of the whole community. Any man might bring any quantity of gold into the country for the purpose of having it made into money, and any man might take out of the country any quantity of money so made. Thus free trade was established in money, and they relied for a proper supply of money upon the same principle as that on which they relied for a proper supply of provisions. If the provisions of the people fell short, and prices rose enormously, what would be thought of a Government who said, “You have been suffering great inconvenience from a shortness of provisions and paying higher prices than usual, and seeing your difficulties, and being convinced that we ought not to allow those difficulties to proceed too far, we have undertaken to store provision ourselves, and to supply all and every one to as great an extent as they choose, upon the condition of their paying the present price?” That was precisely what had been done by the issuing this letter. Circumstances arose in which persons went to the Government and said, “This principle of free trade in money will not apply. You (the Government) must give us an artificial supply at the present price.” The Irish famine was an analogous case. When that great emergency came, the Government did interfere in

that anomalous and unlawful manner; but many had grave doubts whether their interference was beneficial, and whether it would be repeated a second time. They ought in the matter of the currency to carry out general principles; and how could Government interference, he asked, be reconciled with those general principles? It was quite impossible not to acknowledge that the suspension of the Act on two occasions was a subject of grave consideration. He understood the noble earl opposite (Earl Derby) to say that he did not complain of the Act of 1844 as having anything to do with the creation of difficulties, but that in periods of famine and pressure it was not sufficient to meet those difficulties.

The Earl of Derby.—That then it aggravated the difficulties.

Lord Overstone.—But it should be remembered that the power of issuing the letter was derived from the Act of 1844, and that the Government would not, without that Act, have had such a power; and also, without that Act, the public would not have permitted the Bank of England to raise its interest to anything like 10 per cent. If the interest had not been raised to 10 per cent., the exchanges would not have been corrected, the store of bullion would have diminished, and the Government could not have issued the letter. It was impossible to deny that the suspension of the Act, twice repeated, did create serious difficulty, and he thought the Government were entitled to say that the Committee which was in existence ought to direct its attention to the question whether, while keeping the provisions of the Act of 1844, which were essential to maintaining the solidity of the monetary system, and placing the exchanges under proper control, they could not add, without relaxing those principles unsafely, an elastic power applicable to peculiar and exceptional circumstances. It was a very grave inquiry, and should only be entered upon with the greatest calmness and judgment, unaffected by the passions of debate. If they meant to treat this question in a really wise and statesman-like manner, they would not apply their attention to concocting palliatives, but seek a remedy by tracing these evils to their source. He would advise them to learn wisdom from the history of the present disturbance. It commenced in the United States, and no man doubted that the monetary crisis there had been fomented by a vicious system with regard to banking, currency, and trading. The condition of things in the United States was closely analogous to the condition of things in England previous to the passing of the Act of 1844. The object of Sir R. Peel

was to extricate this country from a system analogous in all its principles to the system of the United States, which twice in twenty years had produced the universal suspension of specie payments. Therefore, whatever they did, they should do nothing which tended to place the monetary system of England on the same condition as the monetary system of the United States. The next point was this—what was the circumstance which weakened the power of the monetary system under the Act of 1844 to meet this pressure? It was the abstraction of 3,000,000 sovereigns to meet the panic in Scotland and Ireland, with regard to the issue of local notes. Supposing this country, when menaced by foreign invasion on its southern shores, was required to detach a large force to meet an insurrection in Scotland or Ireland, would not its power of defence be weakened? That was precisely the case of the late disturbance in the monetary system. At the critical moment, when all its stores were required to maintain it against foreign pressure, there came a demand for £3,000,000 for no really useful purpose, but solely in consequence of these local issues of notes in Scotland and Ireland. The panic in the United States arose, extended to this country, and where did the malaria first strike us? At our ports—at Liverpool and Glasgow, where joint-stock banks soon proved the unsoundness of their position. The cause of the difficulties was to be found there, and unless some remedy could be devised for it, any attempt to deal with our monetary laws would be utterly deceptive. There had grown up in this country, and had been rapidly developed within the last ten or fifteen years, a false system of credit and of holding deposits at call carrying interest,—a system which had grown to an enormous extent, and which was still growing, and if that evil was not corrected it would certainly overturn our monetary system altogether. That was not an isolated opinion of his own, for there was scarcely a man of enlarged views and experience in the city of London who did not entertain the same views. It was indispensable that the attention of Parliament should be directed to that subject. Let them look at the difficulty in which the country was placed, notwithstanding the relief supposed to be afforded by an exceptional dealing with the Act of Parliament. He did not mean to say that the Government ought not to have taken the step which they had, but he did say that if the Act had been maintained only 24 hours longer, the whole of the vicious system to which he had referred would have been got rid of by the crumbling to atoms of the

institutions which fostered it. Irretrievable ruin would have followed, and the commercial atmosphere would have been cleared. But to prevent that, it was deemed necessary to interfere, and to suspend the operation of the Bank Act. By so doing they had anticipated the natural action and legitimate remedy for this unwholesome system, and therefore had rendered it incumbent upon Parliament to find some other remedy for the future. What that remedy should be he could not tell, and he greatly feared that whatever it might be it would only have the effect of creating a new disorder, and his serious apprehension was that the very next monetary disturbance would inevitably lead to a suspension of our specie issue altogether. In 1847 the mere permission to issue additional notes was sufficient, without that permission being made use of. The present was a crisis of greater magnitude; the evils were also greater, and the Bank had not only been compelled to avail itself of the permission accorded to it by the Government, but had actually exceeded its legitimate issue by some £6,000,000 or £7,000,000. He knew exactly what he said, and he maintained its accuracy. The Bank had issued £2,000,000 beyond the fixed amount, without leaving any supply in the Bank till. Now, the Bank of England was in that peculiar condition that it ought to have a large banking reserve, because it had a large amount of balances of an ephemeral and uncertain character. To place the Bank of England in a proper banking position in reference to the deposits it held would require an amount which justified him in saying that it had exceeded its proper limits of issue by £6,000,000 or £7,000,000. The next occasion of pressure upon the Bank would probably occur before the exchanges were rectified, and then the crisis would be greater than that which we had shrunk from meeting upon the present occasion. There were serious and formidable difficulties hanging over this country, and in warning the House of them he desired to call their earnest attention to them. It was a subject of vast and national importance, and should be considered in a candid spirit, without regard to prejudices of any kind, but with a determination to contribute to the adoption of a plan which would best maintain the character and interests of the country.

D.

Speech of Earl Grey on the passing of the Bank Indemnity Bill in the House of Lords, 11th December, 1857.

Earl Grey wished to see further legislation, and prompt legislation. He considered the passing of the present Bill relating to a second suspension of the Act of 1844 virtually destroyed the moral force of that Act. This had become much more manifest since the discussion on the Address. Since that occasion the present Bill had passed through both Houses without opposition, and had been recommended by the Government and supported by gentlemen of great weight on grounds which made it absolutely impossible for any Government afterwards, in similar circumstances, to avoid acting as the present Government had acted, for it had been laid down that the Government would have been deserving of the deepest condemnation if they had hesitated to take the course they adopted. The present Bill gave not only an indemnity for the past, but contained a provision for the future, for by it Parliament deliberately sanctioned a departure from the existing law for a certain period after the passing of the Bill. He therefore said that after that provision was agreed to, the Act of 1844 was virtually repealed, and, if repealed, it was not fitting that it should remain on the statute-book. For his own part he objected to repealing the Act of 1844 at all. He warned their lordships against sanctioning the principle that in periods of commercial distress the country might legitimately look for relief to an issue of paper money, regulated by no certain principle, and limited only by the discretion of the issuers and the wants of the borrowers. He maintained that this was in point of fact abrogating the standard of value. Their lordships were told that there could be no depreciation of the currency, and no alteration of the standard of value, so long as the principle of convertibility was adhered to. He could not agree to this doctrine. In the first place, he would assert that even with convertibility there might be depreciation of the currency. No doubt convertibility limited that depreciation in point of degree and time, and if the convertibility were maintained, the ultimate restoration of the currency would be ensured. For a short time, however, and to a moderate degree, a depreciation of the currency might take place, and, indeed, had taken place,

contemporaneously with the maintenance of convertibility. He agreed with his noble friend near him, that the suspension of the Act had caused a virtual alteration in the value of money. Admitting, however, that any depreciation that could take place, so long as the principle of convertibility was maintained, must be moderate in degree and limited in point of time, he wished to ask their lordships what assurance they could have that they would be able to maintain that convertibility? His noble friend near him had stated that it would have been impossible for the Government to take the course of suspending the Act of 1844 if the exchanges had not been in a favourable condition. If there had been an adverse state of the exchanges, and if more paper had been issued, there would have been a drain upon the Bank which would have exhausted its last sovereign. But when the commercial world were told that in all their difficulties they were to look for relief, not to the ordinary issue of paper provided by law, but to an extraordinary creation of Bank paper, did their lordships think that commercial men would be long content to forego that relief, if a period of great pressure arrived when the exchanges were not in a favourable position? But then their lordships were told that convertibility was only an abstract principle, that an abstract principle must not be allowed to stand in the way of the necessities of the nation, that we must not let other nations enter into our consideration, and that we must protect ourselves. The very same arguments which were used on this occasion to induce the Government to suspend the operation of the Act of 1844 might be brought forward in favour of a suspension of cash payments. If Parliament allowed it to be considered a settled principle of our policy that relief should be given by an issue of paper, they could not hope that many years would pass over their heads without a suspension of cash payments. Let their lordships see by what few and easy steps they might arrive at that suspension. Suppose the pressure very great and the exchanges not unfavourable. There would then be a cry that the country wanted money, and there would be an issue of Bank paper. But suppose that after that issue of paper had taken place circumstances should arise which should cause an alteration in the exchanges, and that a drain of gold should commence. Depend upon it, they were taking the first step in the downward path of a suspension of cash payments when they allowed paper to be issued arbitrarily and at the discretion of any party. Let them rely upon it, they were embarking in a course every step in which was easier than that which went before,

and a very few steps in which would lead them to a suspension of cash payments. It was now universally admitted, that when a suspension of cash payments took place in 1797, it was impossible to avoid it. By previous imprudence the country had been brought to a situation in which no other course remained—when either the Bank of England must stop, or must pay away its last sovereign. Had their lordships forgotten the fatal effects of that suspension? They all knew that for a time it did not produce any serious results, but they also knew that the country, having once embarked in the fatal course of issuing paper money which was not convertible into gold, was tempted to abuse that power. Men were found to contend then, as they contended now, that when they had good bills they had a right to have them discounted. Little by little our currency diminished in value, until a guinea came to be worth 27s. or 28s., and even more. For a series of years a grievous injustice was committed upon all creditors and persons having fixed incomes, and when the nation awoke to a sense of its impropriety and began to retrace its steps, what happened? It was found that those who had suffered from the original injustice, very seldom or ever benefited by the tardy justice afterwards conceded; while, on the other hand, during the years of depreciated currency, an immense multitude of transactions had taken place in which the country, as well as private individuals, had incurred very heavy obligations. The landed interest more especially, having made great efforts to meet the demand for corn, had borrowed money for agricultural improvements, and they found that they had to pay 20s. for every 15s. or 16s. they had borrowed. The national debt was increased in the same degree. Thus a fresh and most grievous injustice was committed when cash payments were resumed, and the nation was suffering to this day, and would suffer to the latest hour of its existence, from the effects of these lamentable blunders. Ought not this experience to be a warning, and ought it not to teach us that if the currency were depreciated, results which no one intended or contemplated would follow one after another, until the country would be unable to right itself? If ever their lordships were doomed to see a suspension of cash payments, it was by such a road as he had pointed out that it would be arrived at. He asked whether they ought to leave that road open for future Ministers and future Bank Directors by passing this Bill and neglecting to adopt some efficient means for reforming our system of currency. How was that reform to be effected? He had no hesitation in expressing his belief that it was to be accomplished by

carrying out to its legitimate conclusion the sound principle of the Act of 1844. As he understood that Act, its principle was this—that a paper currency ought to be assimilated, as far as possible, to a metallic currency. It was assumed, and justly assumed, that while a paper circulation had great advantages in the way of convenience and economy, in point of uniformity of value a metallic currency was superior to any other; and also that the value of a currency, whether paper or metallic, depended in the first instance on its amount in proportion to the transactions which were carried on. That being the case, it was assumed that in order to make a paper currency resemble a metallic currency, its amount should be made to vary according to the varying wants of the country, precisely by the same laws which determined the amount of a metallic currency. It was also believed that the uniformity and value of a metallic currency arose from the circumstance that it was impossible arbitrarily to limit its amount, and therefore, from that consideration, it was held that the only way in which we could secure a paper currency as nearly as possible of uniform value, was to place it under such regulations that its amount at any time should vary by the operation of the same causes which affected gold. It was provided that whenever the paper currency reached a certain fixed sum, far below the wants of the country, it should only be issued beyond that amount in exchange for gold, while, on the other hand, the paper should at all times be convertible into gold. But, while that provision was perfectly sound in principle, the Act of 1844 unfortunately was defective in the machinery by which it sought to accomplish the object in view. It still left the issue of paper money in the hands of the Bank of England and of other banks in different parts of the kingdom. The result was that great mischief was occasioned, chiefly by keeping up a false impression in the public mind, that, as the Bank of England in particular had a monopoly almost in the right of issuing paper, in return for that advantage they afforded a certain amount of assistance to men engaged in commercial pursuits. It led such people to believe that, as the dealers in money were also allowed to be the issuers of money, their transactions might be carried on in such a manner as that they might always look for assistance from that quarter on an emergency; and to that, he believed, was to be attributed much of the present commercial distress. He would not attempt to follow up that topic in the manner he could have wished, and would content himself by saying that, as the principle of the Act of 1844 was to assimilate a paper currency to a metallic cur-

rency, it seemed to him that the first thing that ought to have been done was to assimilate the two in the authority by which they were issued. The Legislature allowed no money to be issued by trading persons; there was a Royal Mint only, which was open to all persons who chose to carry gold there to be coined. But to coin paper money was infinitely more dangerous than to coin gold; and, therefore, to carry out the principle of assimilation, what he would recommend was that they should put an end to all issue by the Bank of England, and by the joint-stock banks in Scotland and Ireland, and have one uniform currency issued by public authority in the manner suggested by the petition which had been presented that evening in their lordships' House from the Bristol Chamber of Commerce. Let them establish that principle, and they would do much to prevent the recurrence of a great many of the commercial evils from which the country now periodically suffered. Having provided that paper should only be issued by public authority and in exchange for gold, they were at once at liberty to relieve the Bank from all restrictions, and the Government of the day from the necessity of relaxing those restrictions in times of severe pressure, which were so justly calculated to excite alarm in the public mind. He would only add, that, whoever the directors of the currency were, they should be appointed by the Crown, but should hold their offices, like the Judges, during good behaviour. If he were asked whether that system would prevent the recurrence of periods of commercial distress, and, if not, whether it would be safe to bind the Government so strictly, that even in the most aggravated cases of commercial distress they should not be at liberty to adopt the usual expedient for its relief which had been found twice so efficacious, his reply would be, that it did not appear to him that the present commercial depression was due to the laws affecting the currency; on the contrary, he believed it had arisen from that restless spirit of speculation which animated the commercial world, and from the abuse of credit which had taken place in this and other countries, and which he could not help thinking our recent legislation had been calculated to foster. He believed that in the long run it would be found that the interference of Government and public authority to support commercial credit would be found to do more harm than good. But, even granted that it might be of some value, and that it was right to recognize the principle that for extraordinary emergencies some extraordinary provisions must be made, still, even in that case, it was clear that the only mode in which the assistance of the Government

could be usefully imparted was by applying the resources and credit of the State in aid of the credit of individuals. No Government could create additional property; all it could do was to transfer whatever there was from one hand to another. If that kind of assistance was to be given, it should be given directly, and not indirectly, by authorizing the Bank to make extraordinary advances or to issue more paper. It would be better to authorize the Government under special circumstances to issue stock or Exchequer-bills, as was done in the revolutionary war. He believed that during the present distress there had never been any difficulty in raising money upon stock at a time when bills could not be discounted, which showed that there was plenty of money in the country, but that bills had become discredited. He hoped that some such step would be taken in future, instead of tampering with the standard of value; for the extraordinary issue of paper money not based upon bullion was, after all, only in a different form, the old resource of barbarous and ignorant rulers, the debasement of the currency. It was just as well to coin little sovereigns as to authorize an issue of paper not based upon bullion. There was another and important point to which he wished to advert, but which it was not possible upon the present occasion fully to enter upon. His conviction, which he had arrived at many years ago, was, that the prohibition of the issue of small notes in this country was a most injudicious measure. He could see no reason why, if paper could be usefully and safely employed for large sums, it should not be used also for small amounts; and he had never heard any argument against the use of £1 notes which did not equally apply to £5 and £10 notes. The present was not the occasion to discuss that subject, or he should not despair of being able to convince the House that the issue of £1 notes would, instead of rendering the currency insecure, tend to make it more secure than it was at present; and if it could be done with safety, it was manifest that it could be done with advantage. They would get rid of the anomaly which permitted £1 notes to circulate in Scotland and Ireland, but prohibited them in England,—a law which was quite disregarded in the border counties, where Scotch £1 notes were in constant circulation, and upon a late occasion he found himself the holder of some Western Bank notes. Another advantage which would arise from the issue of £1 notes was, that it would facilitate a change to which he had already adverted, and would enable us to have one national currency instead of several currencies managed by several trading corporations. If there

had been one national currency the country would not have been exposed to the great inconvenience which it had lately suffered, arising from the great and sudden demand for gold for Ireland and Scotland. By the issue of £1 notes sensible relief would be afforded to the country at a time when relief was most needed. Although he believed the present distress had been brought about by great imprudence, there could be no doubt but it was a disaster which pressed heavily, not alone on those whose imprudence had caused it, but also upon all other classes of the community. They saw that large numbers of workmen were thrown out of employ—that the whole course of trade was affected, and yet they knew that the real wealth of the country was perfectly untouched. There could be no doubt but that an issue at the present moment of £1 notes would be of very great advantage. That paper would displace thirty or forty millions of sovereigns, and there would be an addition to the national capital of a large proportion of those sovereigns. He thought that was a reason why this subject should be taken up by the Government, and that, without waiting for further inquiry, they should at once introduce some measure for the consideration of Parliament. He would not now enter further upon this important and difficult subject; but he must impress upon the Government the necessity for considering it during the approaching recess, and of being prepared, when Parliament shall reassemble, to bring forward some measure upon their own responsibility. He thought inquiry into the causes of the present distress might be useful, but he did not think it was necessary to make any further inquiry into the state of the currency. There were other causes of distress which might be usefully inquired into, but as to the currency, they might inquire for ten years, and at the end of that time they would not have arrived at the end of all the people had to say upon the subject, nor would they have added one particle to the information they already possessed. The whole facts were before them; they had all the means for forming their opinions, and therefore he insisted it was the duty of the Government not to throw upon the members of a Committee the responsibility of devising a measure of this kind, but to take the matter into their own hands, and present to Parliament a plan which they had maturely considered and carefully prepared.

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